

**APEC Training Course on Enhancing
Entrepreneurship Skills for SMEs**
Viet Nam, 17-19 June 2008

—

Economy Reports and Summary Report

Indonesia

Initiative Toward the Strengthening of National Innovation System



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OUTLINE



Rationale

Low Productivity

2006		SMEs	Big Enterprise	Total
Business Units	Total (unit)	48,900,000	9,782	48,909,782
	Percentage (%)	99.98	0.02	100.00
Labor Force	Total (people)	85,400,000	3,391,849	88,791,849
	Percentage (%)	96.18	3.82	100.00
Contribution to GDP	Total (trillion Rupiah)	177,875	155,945	3,338.20
	Percentage (%)	53.28	46.72	100.00

* Small-sized Enterprise 37,7% & Medium-sized Enterprise 15,6%

Source: CBS (2006)

Rationale

World Competitiveness Report (IMD)

Country	2006	2005	2004	2002	2000	1998
USA	1	1	1	1	1	1
Singapore	3	3	2	8	2	2
Malaysia	23	28	16	24	26	12
Korea	38	29	35	29	29	36
Japan	17	21	23	27	21	20
China	19	31	24	28	24	21
Thailand	32	27	29	31	31	41
Indonesia	60	59	58	47	43	40
Total Country (n)	(n= 61)	(n = 60)	(n = 60)	(n = 49)	(n = 49)	(n = 49)

Source: WEF (2007)

Rationale

Comparison of Knowledge Economic Indicators 2004

Country	Economic Incentive Regime	Innovation	Education	Information Infrastructure
Finland	8.61	9.63	9.17	9.13
AS	7.81	9.39	8.43	9.03
Australia	8.14	8.62	9.14	8.67
New Zealand	8.28	7.94	8.95	8.43
Germany	7.95	8.82	7.87	8.82
Japan	7.23	9.26	8.09	8.40
Singapore	9.53	8.67	5.61	9.13
Korea	6.10	8.04	7.80	9.03
Malaysia	5.52	4.42	4.51	6.81
Thailand	5.88	3.58	5.80	4.94
The World	4.55	4.88	4.90	4.96
China	2.42	4.13	3.04	4.35
Indonesia	2.41	1.74	3.43	2.71
India	2.78	3.20	2.13	1.95

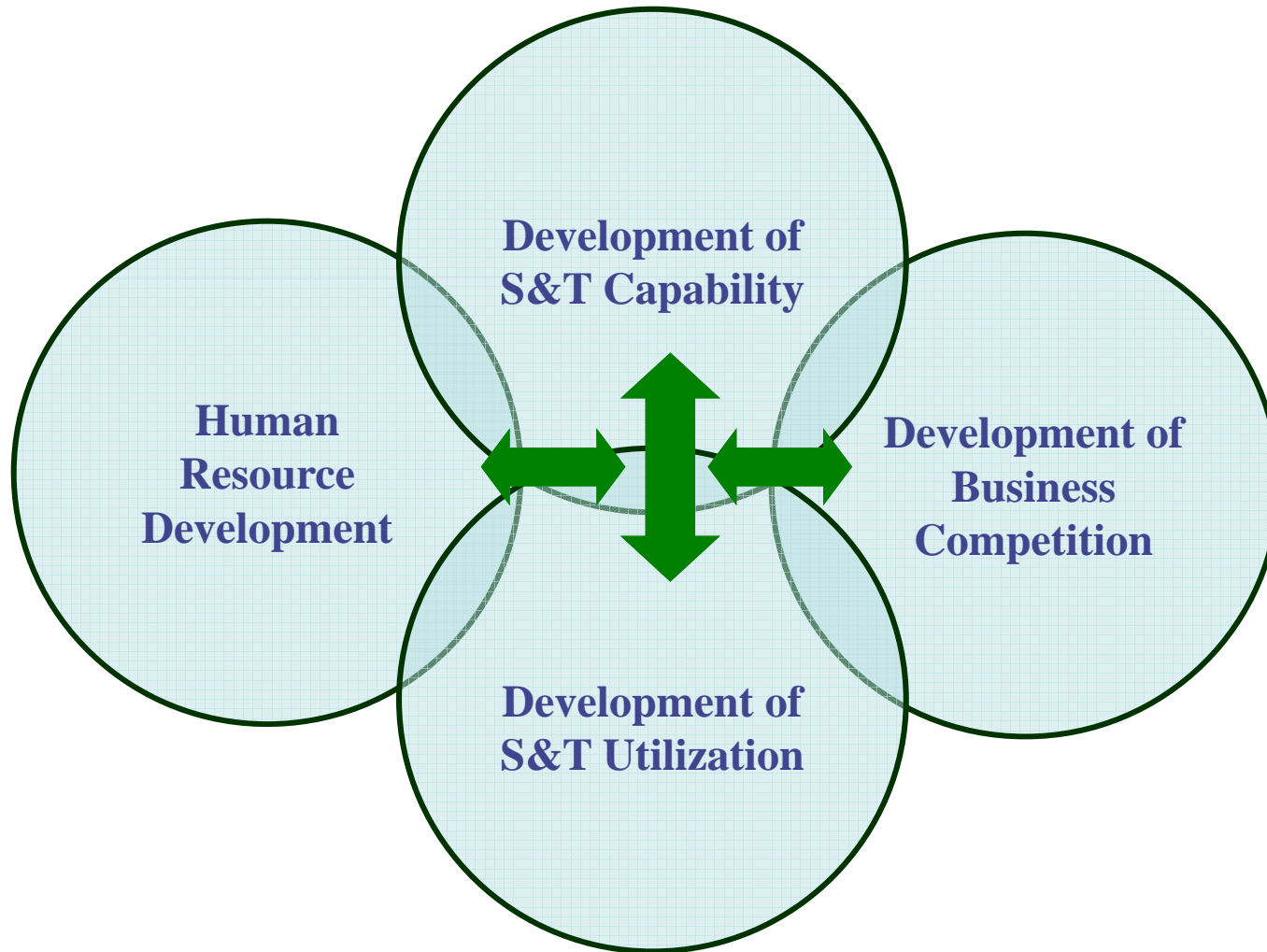
Source: Online Data from the World Bank's site 1998 -2004

Innovation and NIS(s)

- ◆ Innovation is commercial application of new technology, new product, or new process, so that
- ◆ NIS(s) is a network consisting of public and private institutions that dealing with researching, importation, adaptation, and diffusing of new technology.
- ◆ NIS(s) is NOT a stand alone topic to research; It is rooted in the production and consumption systems which is a part of societal system.
- ◆ Product/process design is central in innovation System

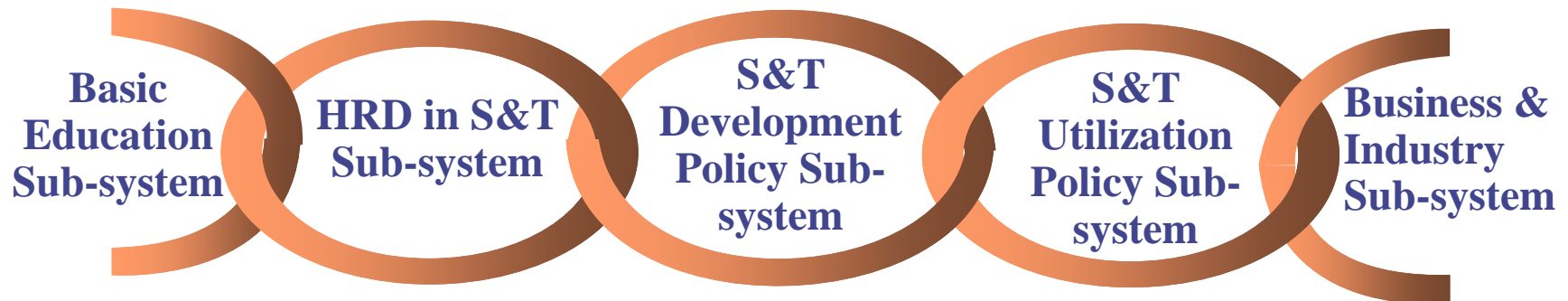
Rationale

Direction in the Development of NIS(s)



Rationale

Example: Interconnectivity of Processes within NIS(s)



The strength of NIS depends on the weakest node (or link)

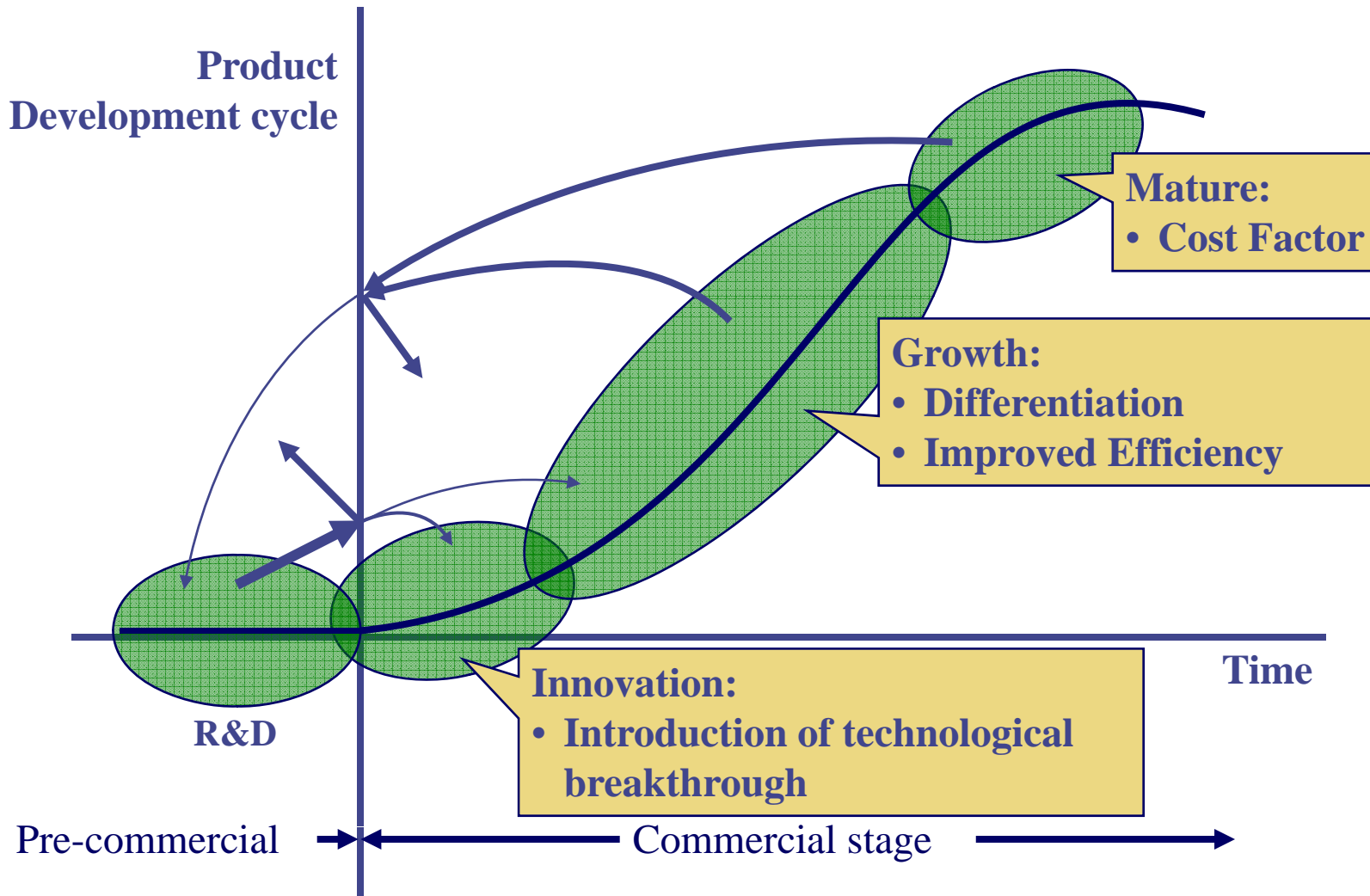
The question now, which node (or link) is the weakest?

Routine in NIS(s) Based Approach

- 1. Identify the weakest link**
- 2. Utilize the weakest link as much as it could**
- 3. Subordinate other links (and if needed also nodes) to the development scenario of the weakest link**
- 4. Improve the weakest link**
- 5. If the weakest link occur somewhere else, then start from step 1 again**

Rationale

The weakest is..... S&T Utilization




Existing Condition

Low Interaction between the three agents of innovation:
Academia, Business & Gov't (ABG)

- Inward orientation Academia,
- Mismatch of the Incentive Structure and Business needs
- Low trust from the side of Business toward Public Institutions.

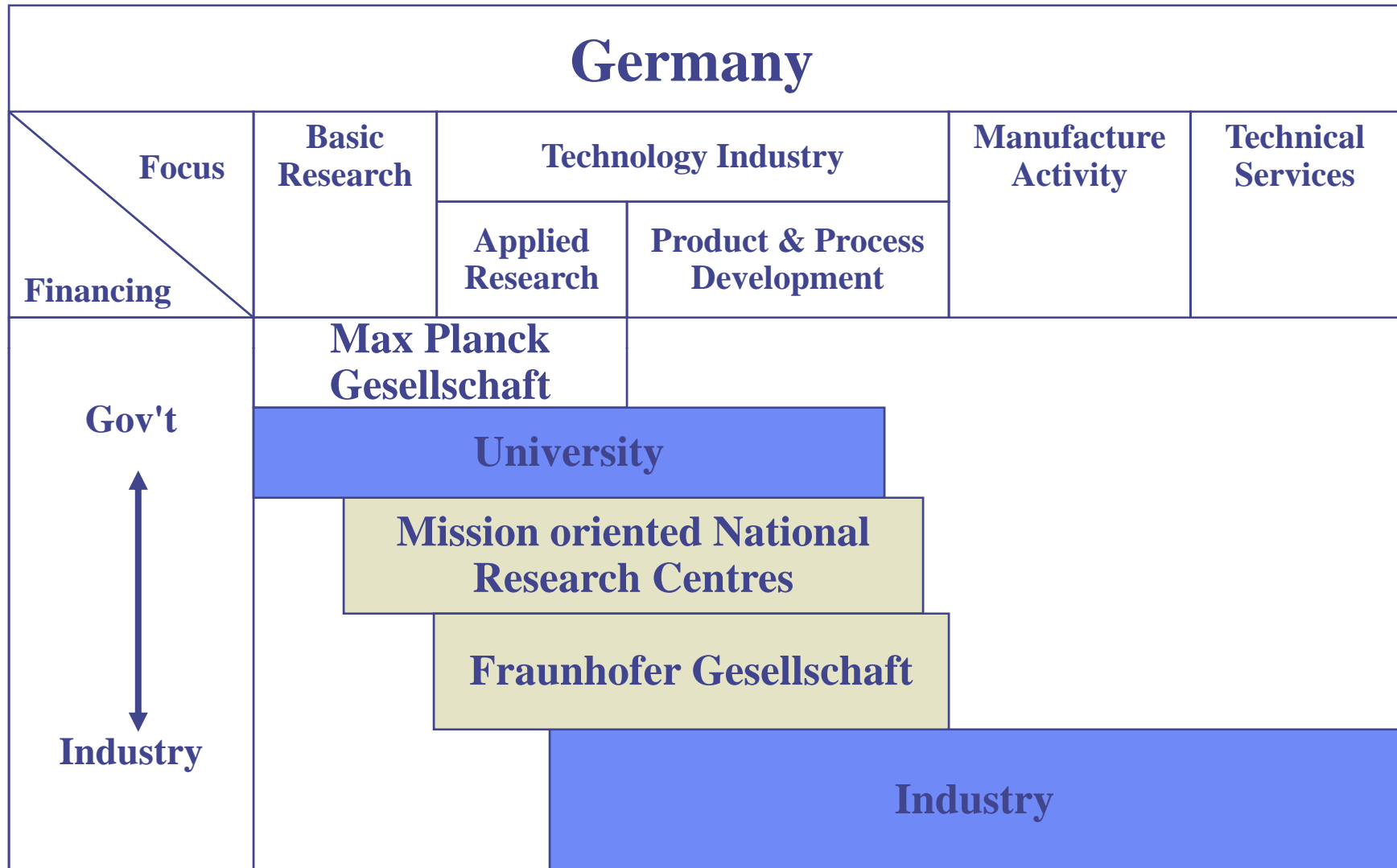
(Source: Studi Periskop 2002)

Innovation Policies in Various Countries

USA					
Focus	Basic Research	Technology Industry		Manufacture Activity	Technical Services
		Applied Research	Product & Process Development		
Financing					
Gov't  Industry	University				
	National Institutions and National Laboratory				
		Industry			


Source: Adjusted from Jawahar (2002)

Innovation Policies in Various Countries




Source: Adjusted from Jawahar (2002)

Innovation Policies in Various Countries

Japan					
Focus	Basic Research	Technology Industry		Manufacture Activity	Technical Services
		Applied Research	Product & Process Development		
Financing					
Gov't  Industry	University				
		National Institutions (Tsukuba Science Park, etc.)			
			Industry		

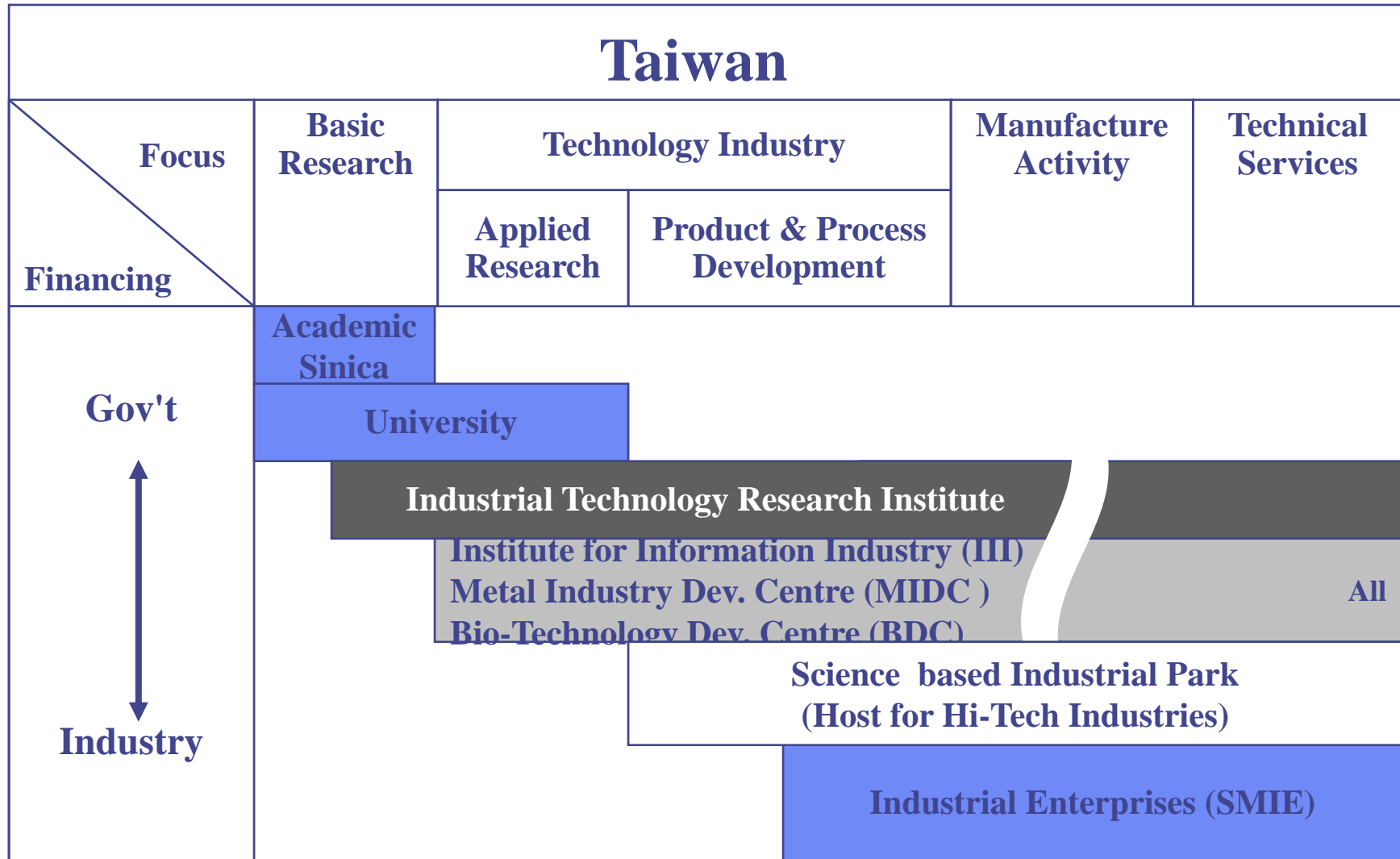
Source: Adjusted from Jawahar (2002)

Innovation Policies in Various Countries

China					
Focus	Basic Research	Technology Industry		Manufacture Activity	Technical Services
		Applied Research	Product & Process Development		
Financing					
Gov't  Industry	Universities, R&D Institutions				
	Ministries and Provincial Gov't				
		Industry			
			State Owned Enterprises		
				Joint Venture and SME	

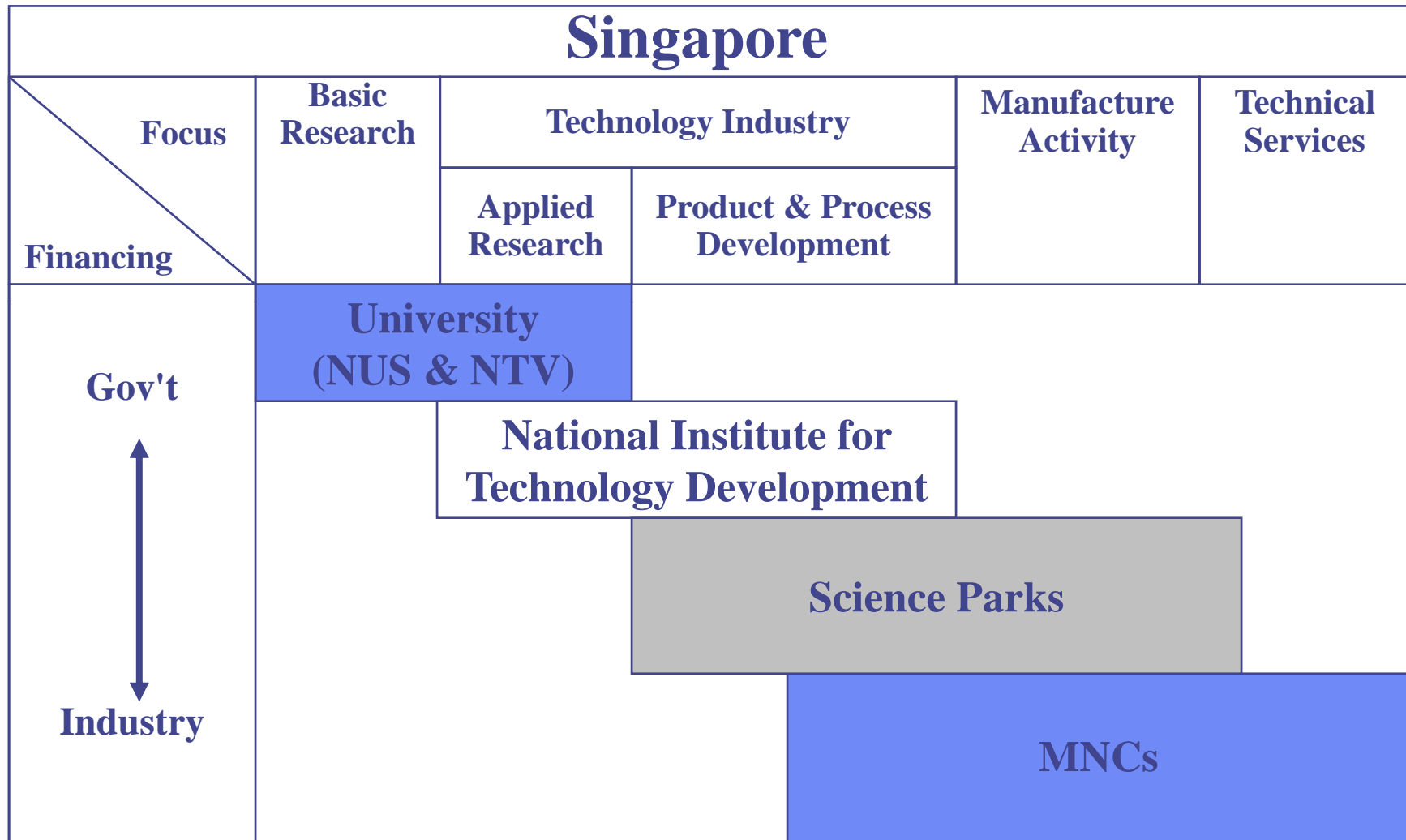
Source: Adjusted from Jawahar (2002)

Innovation Policies in Various Countries



Source: Adjusted from Jawahar (2002)

Innovation Policies in Various Countries



Source: Adjusted from Jawahar (2002)

NIS in Various Countries

SWEDEN — Institutional profile of the NIS

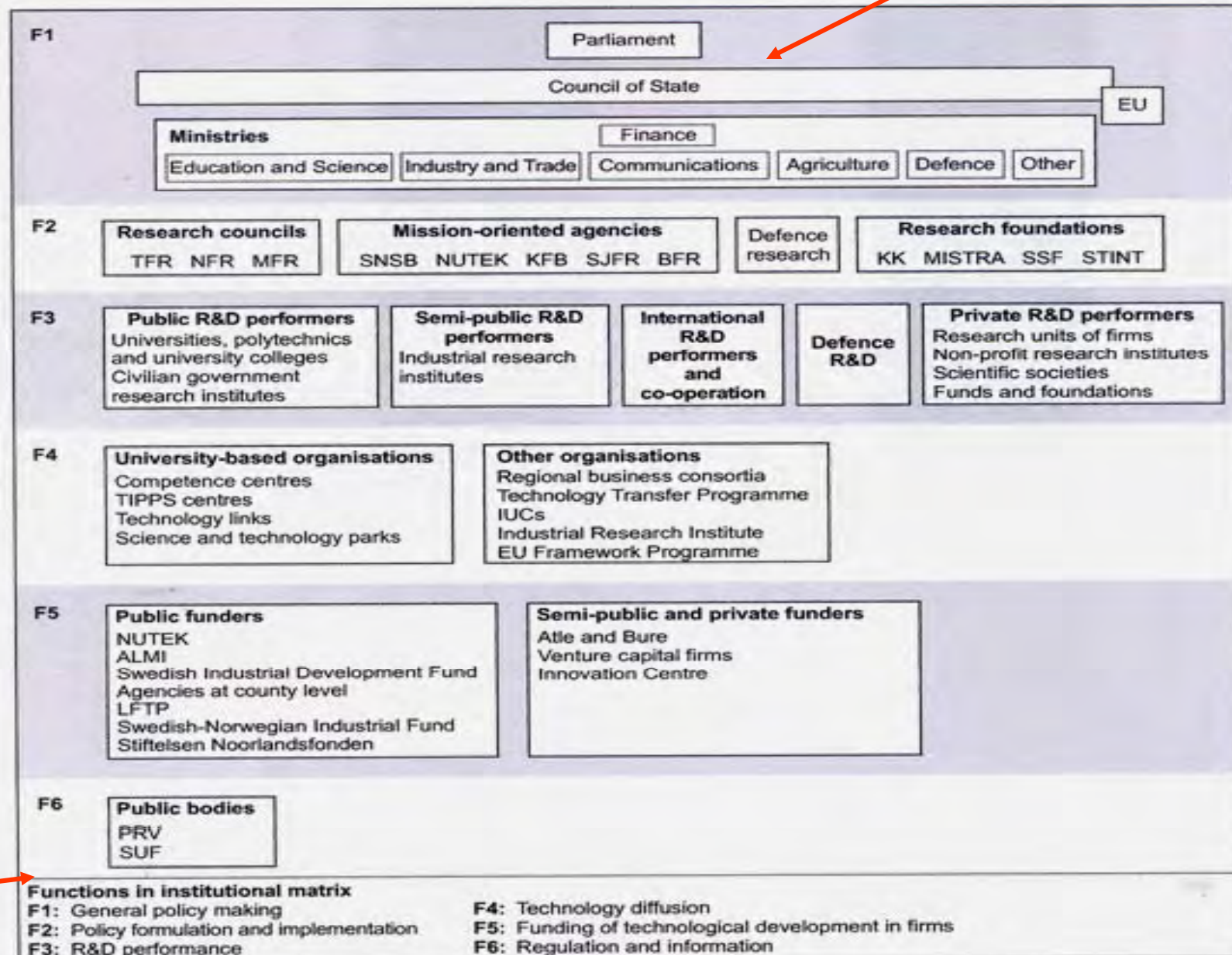
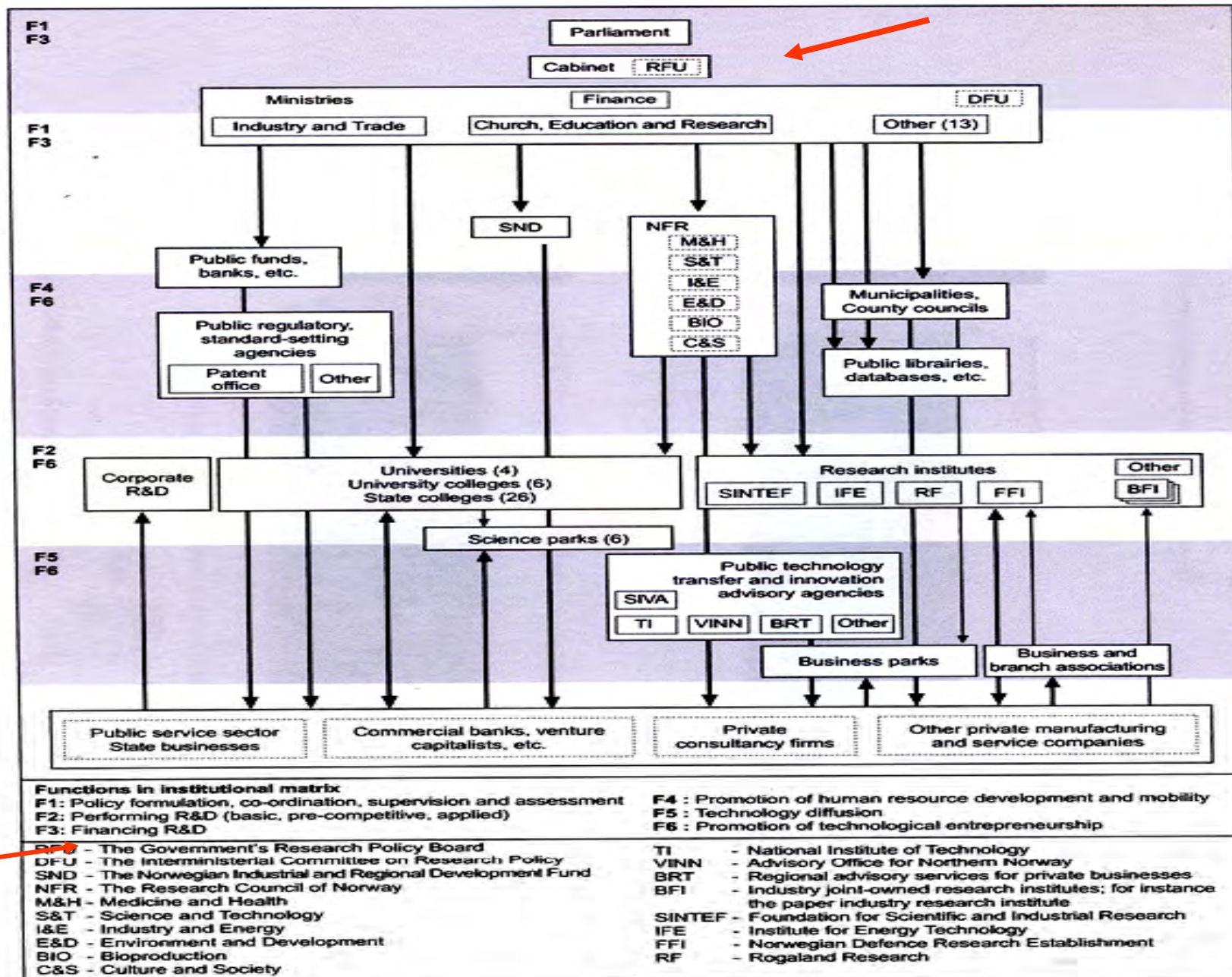


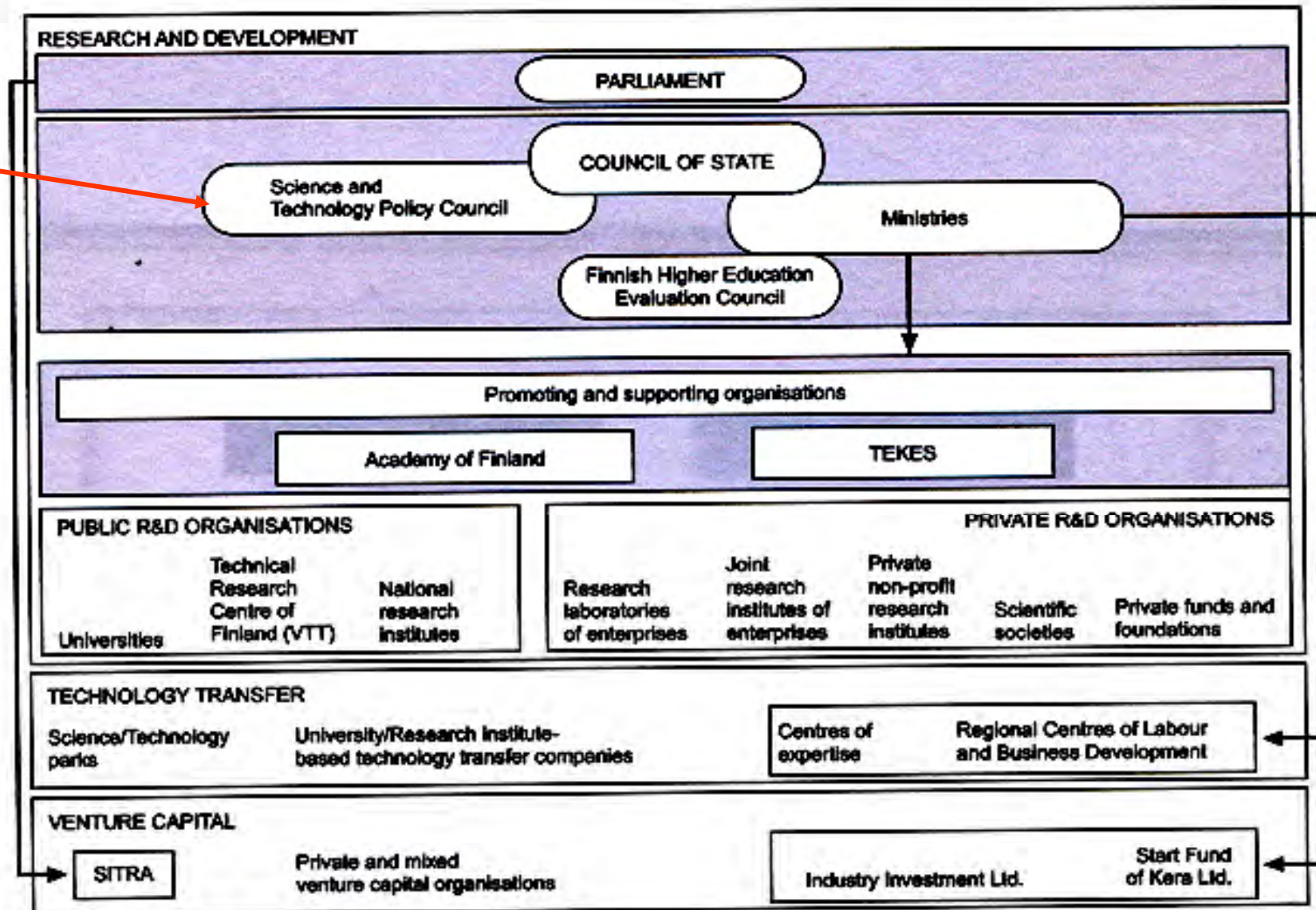
Figure 8. The Norwegian system of innovation – organisational structure

NIS in Various Countries

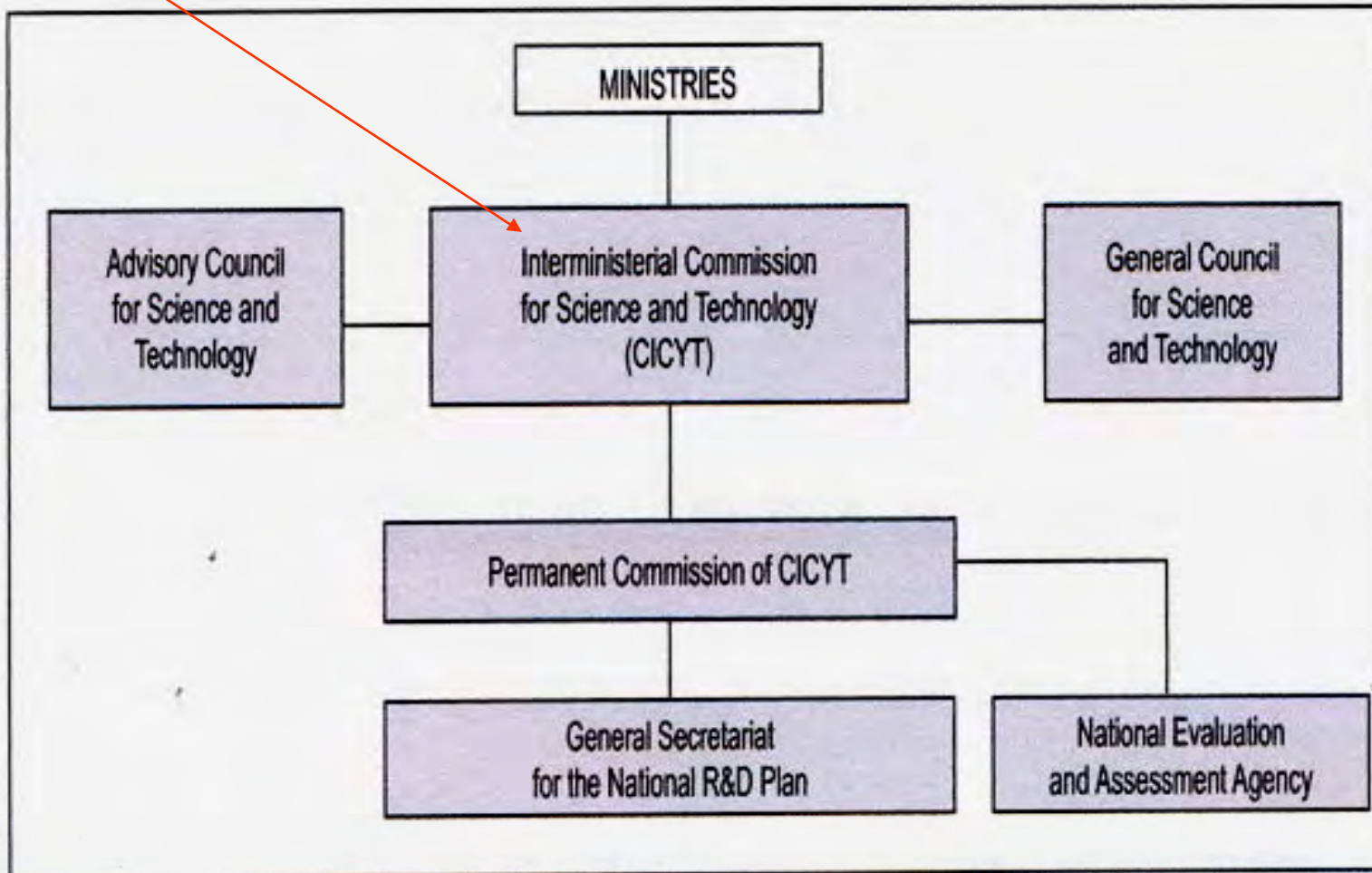


NIS in Various Countries

FINLAND — Institutional profile of the NIS

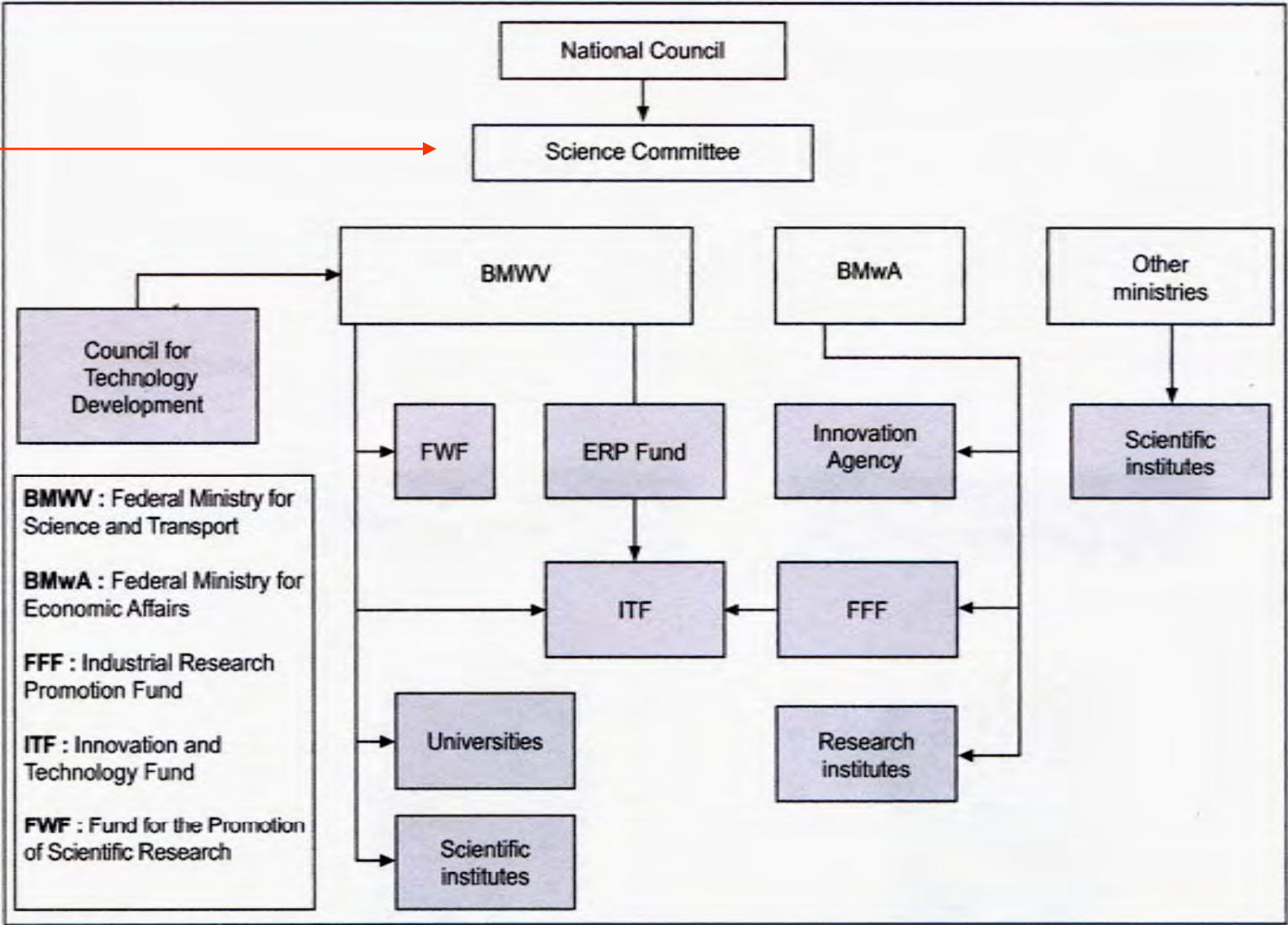


SPAIN — The organisation of technology and innovation policy

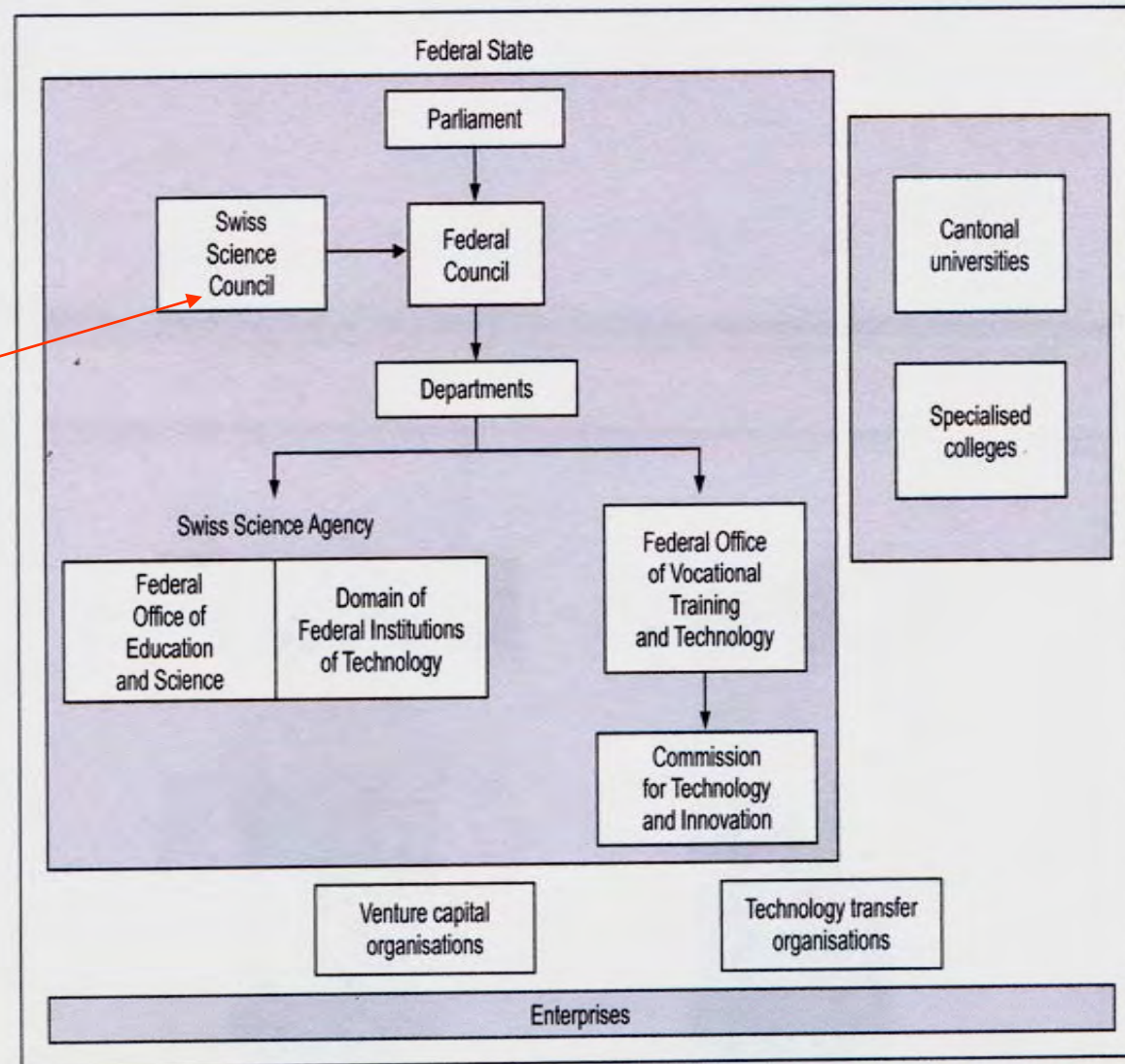


NIS in Various Countries

AUSTRIA — The organisation of technology and innovation policy

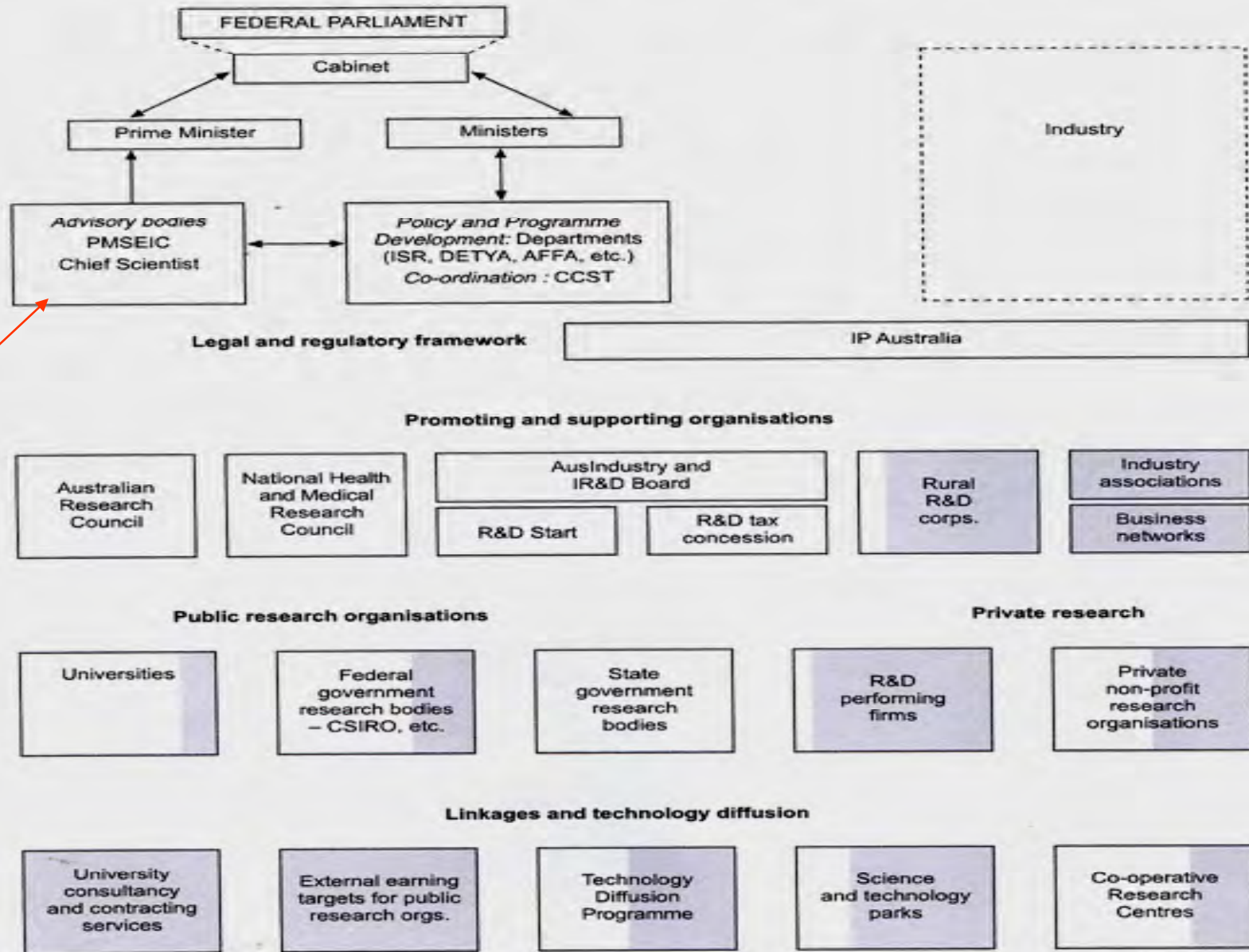


SWITZERLAND — Institutional profile of the NIS



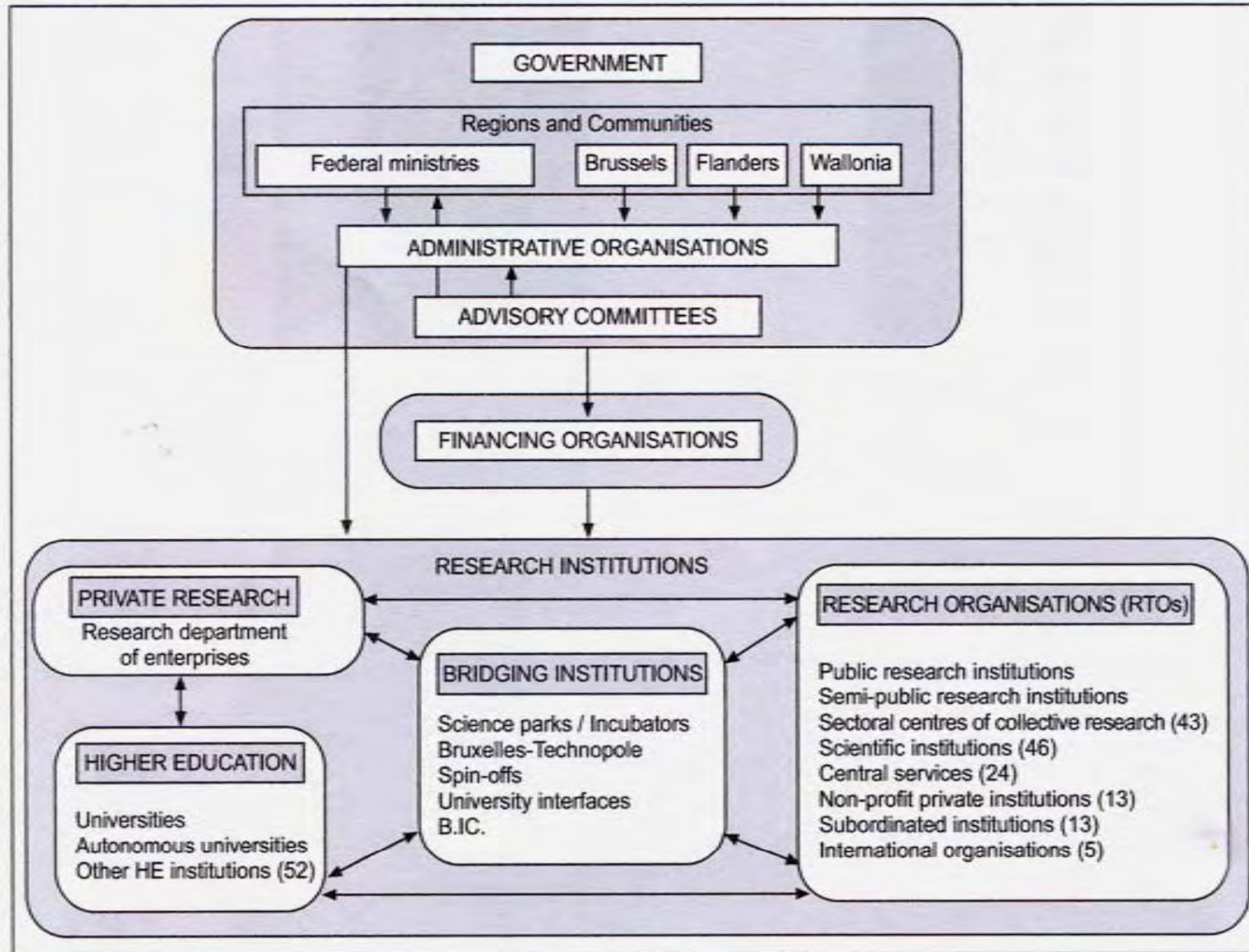
NIS in Various Countries

Figure 9. The Australian system of innovation – organisational structure



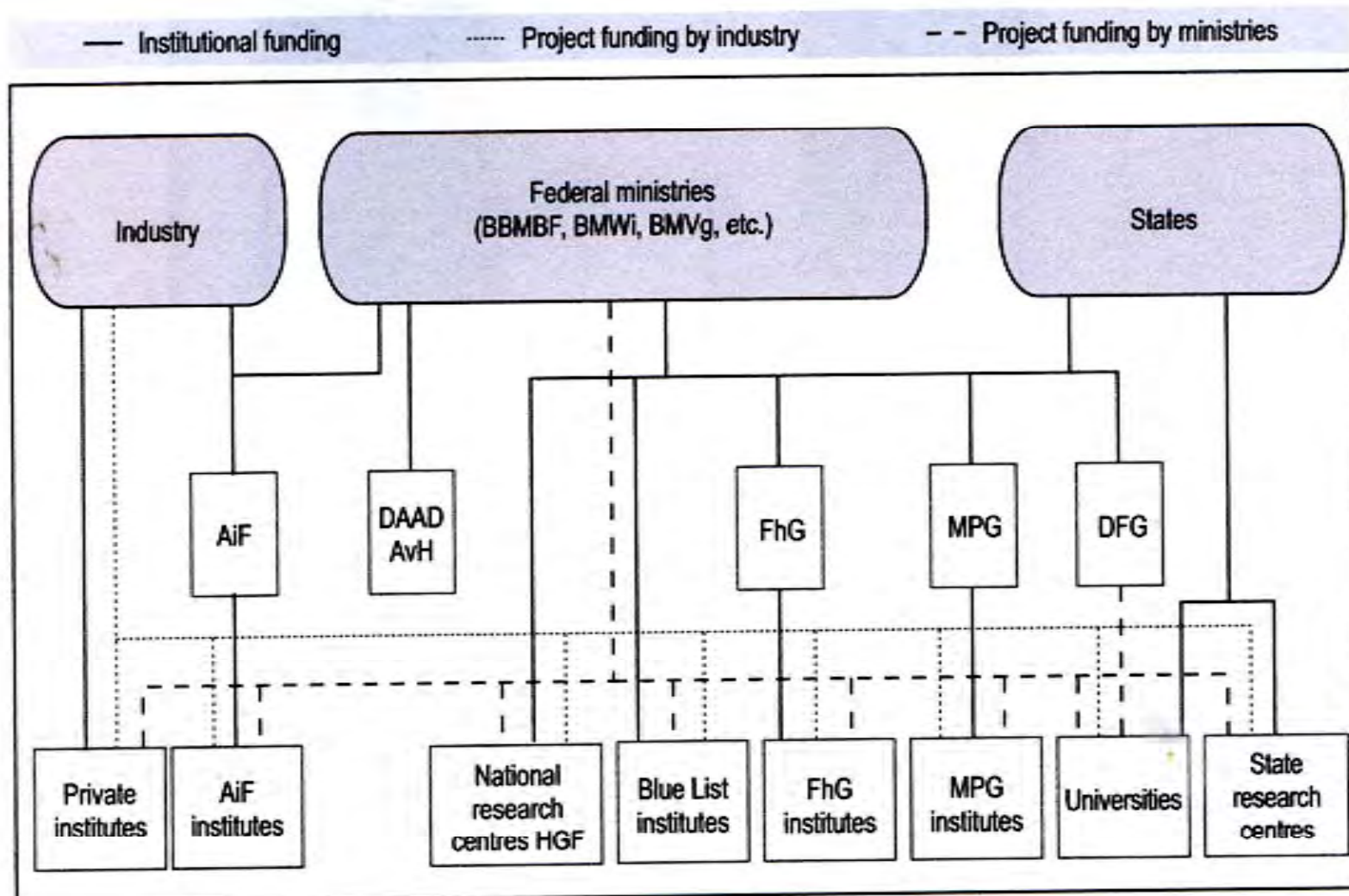
NIS in Various Countries

BELGIUM — Institutional profile of the NIS



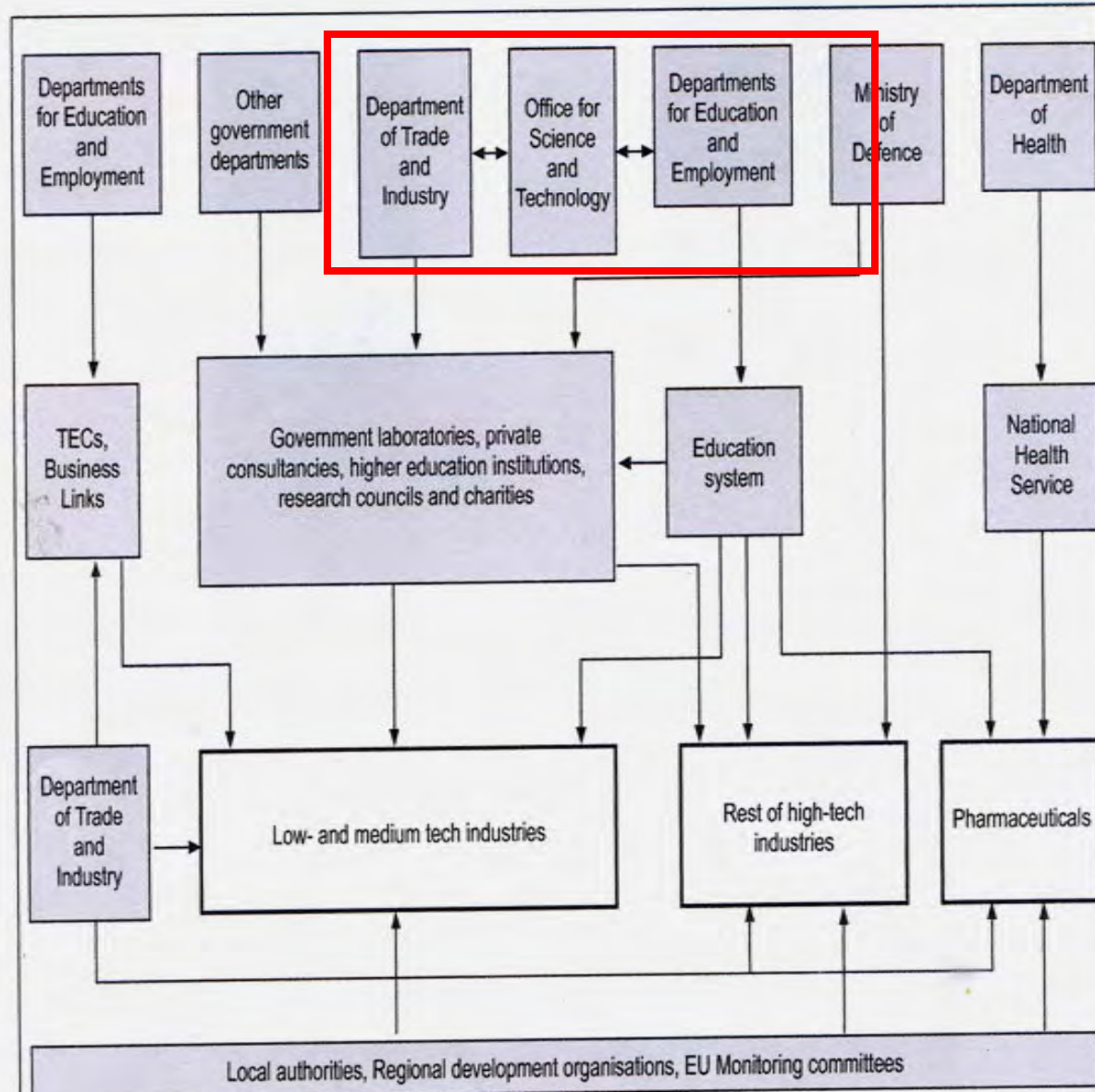
NIS in Various Countries

GERMANY — Institutional profile of the NIS



NIS in Various Countries

UNITED KINGDOM — Institutional profile of the NIS



Initiatives in SMEs Capacity Building

Home Grown Initiatives

Name/Program	Role/Function	Institution
BDSP Ministry of Cooperative & MSME	Non-financial services for SMEs	<ul style="list-style-type: none"> ■ Individual, ■ Business unit, ■ NGO, ■ Industry Associations.
Telecenter BAPPENAS	IT based empowerment.	People oriented mainly youth.
BIT (Technology Based Business Incubator) BPPT	Technology based start-ups	Unit within BPPT
BTC (Business Technology Center) BPPT	Development of Technology based business	Pilot project within BPPT

Initiatives in SMEs Capacity Building

Home Grown Initiatives: Incubators in Indonesia



- SPICE list : USU, PUSPIPTEK, IPB, ITB, IKOPIN, UNS, ITS, UNUD, UNM, Freeport
- Developing: UNAND, UNSOED, UGM, UNIBRAW, CITY OF SOLO
- ▲ International Cooperation : StarCall Wartelnet, Polytechnics : Riau, Payakumbuh, Polban, Polman, Malang, Pontianak, Banjarmasin, UNAIR

Initiatives in SMEs Capacity Building

International Initiatives

Program	Role	Supporting Institution
Small Business Innovation Research (SBIR), AS	<ul style="list-style-type: none"> ▪ Improve SMEs linkage with R&D institution ▪ Improve people participation in technology innovation ▪ Improve commercialization of technology 	US Govt
SME Innovation Centre – Brunei	Business incubator for IT based innovations.	Brunei Govt
Lithuanian Innovation Centre (LIC) – Lithuania	Development services for technology based start-up businesses	Lithuanian Govt
Business Development and Technology Transfer Corporation - Germany	Consultation services for start-ups on market potentials, patent, commercial cooperation and new technology innovation.	Consortium: Govt, Academia & Industry

Initiatives in SMEs Capacity Building

Summing up the Role of Ideal Innovation Center

Role	Function
◆ Business Development	Consultation services on productivity, general management & financial management
◆ Technology Development	<i>Prototyping, technology licensing (technology transfer)</i>
◆ Business Incubation	Development of innovative start-ups
◆ HRD	Training provider on apprenticeship and entrepreneurship
◆ Facility Provider	Provide multipurpose facilities
◆ Expertise Provider	Technical assistance on specific expertise
◆ Information Provider	Information services: technology, market, financing schema, IPR, etc
◆ Accreditation	Certification and accreditation of product or service
◆ Intermediaries	Technology, Market & Financial brokering
◆ Networking	Business partnership, R&D Cooperation, Consultative Forum

Working Definition

Innovation

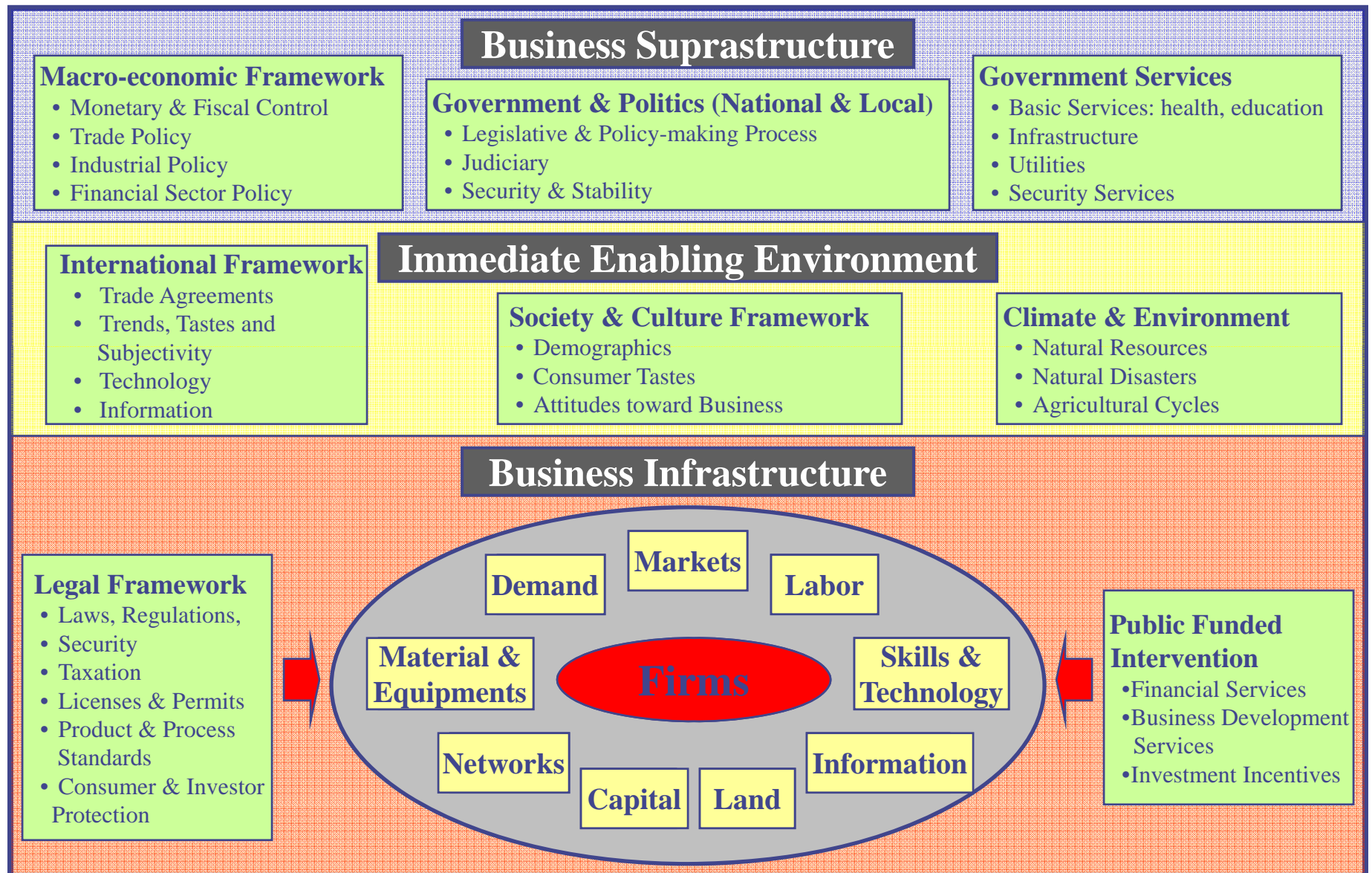
Research, development and/or engineering activity aiming at **developing of practical value** and **provision of new scientific context**, or **finding new way** for **the implementation of the existing Science and Technology** into **product or production process**.

(Source: Law No. 18 Year 2002 on National Innovation System)

SME Innovation Centre

An institution that facilitates the transfer and diffusion of innovation to SMEs and promote the development of innovative SMEs

SMEIC - Business Environment



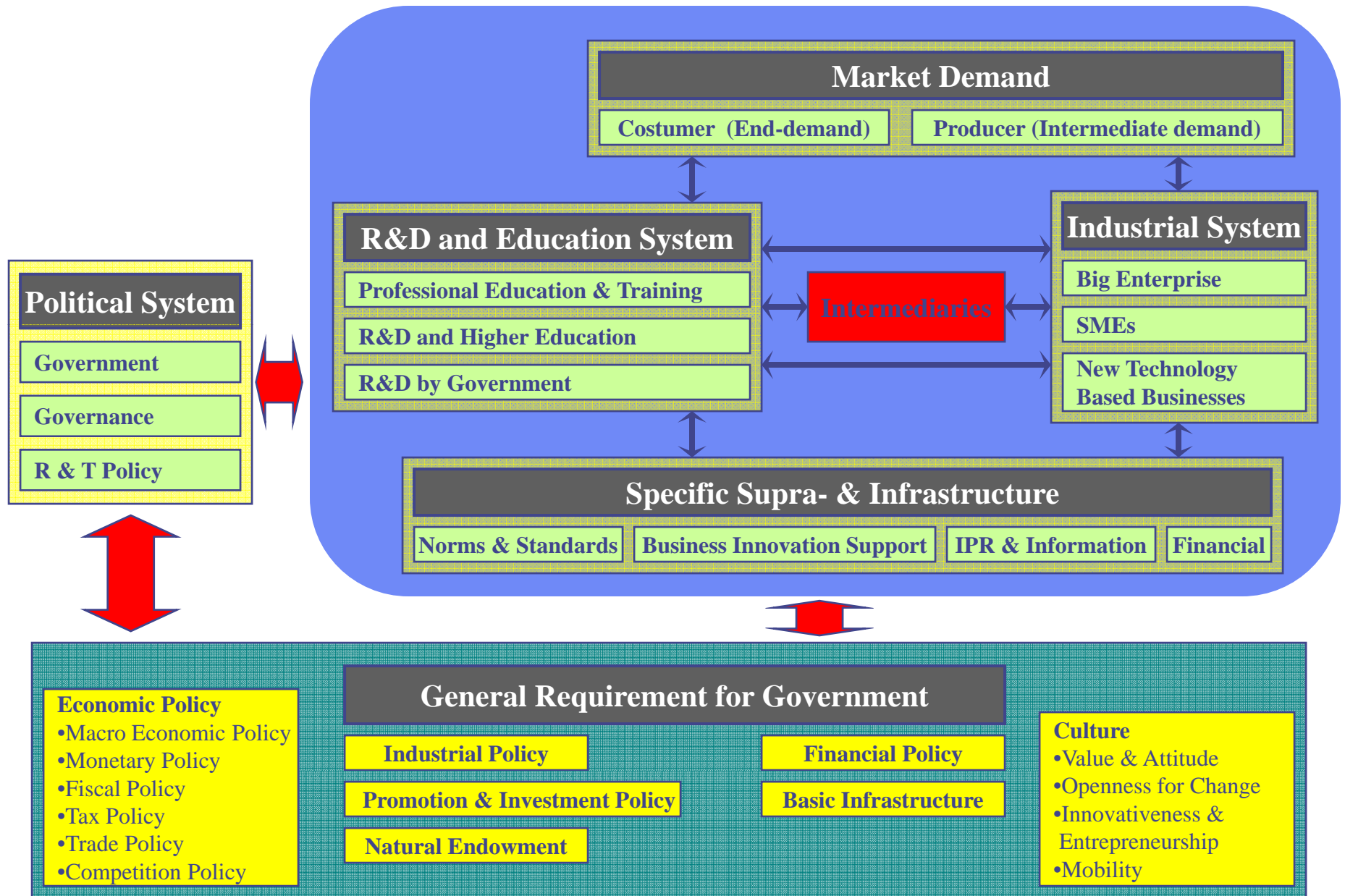
SMEIC - From Idea to Market

The development of technology based SMEs is in a sense a step-by-step nurturing towards commercialization of technology

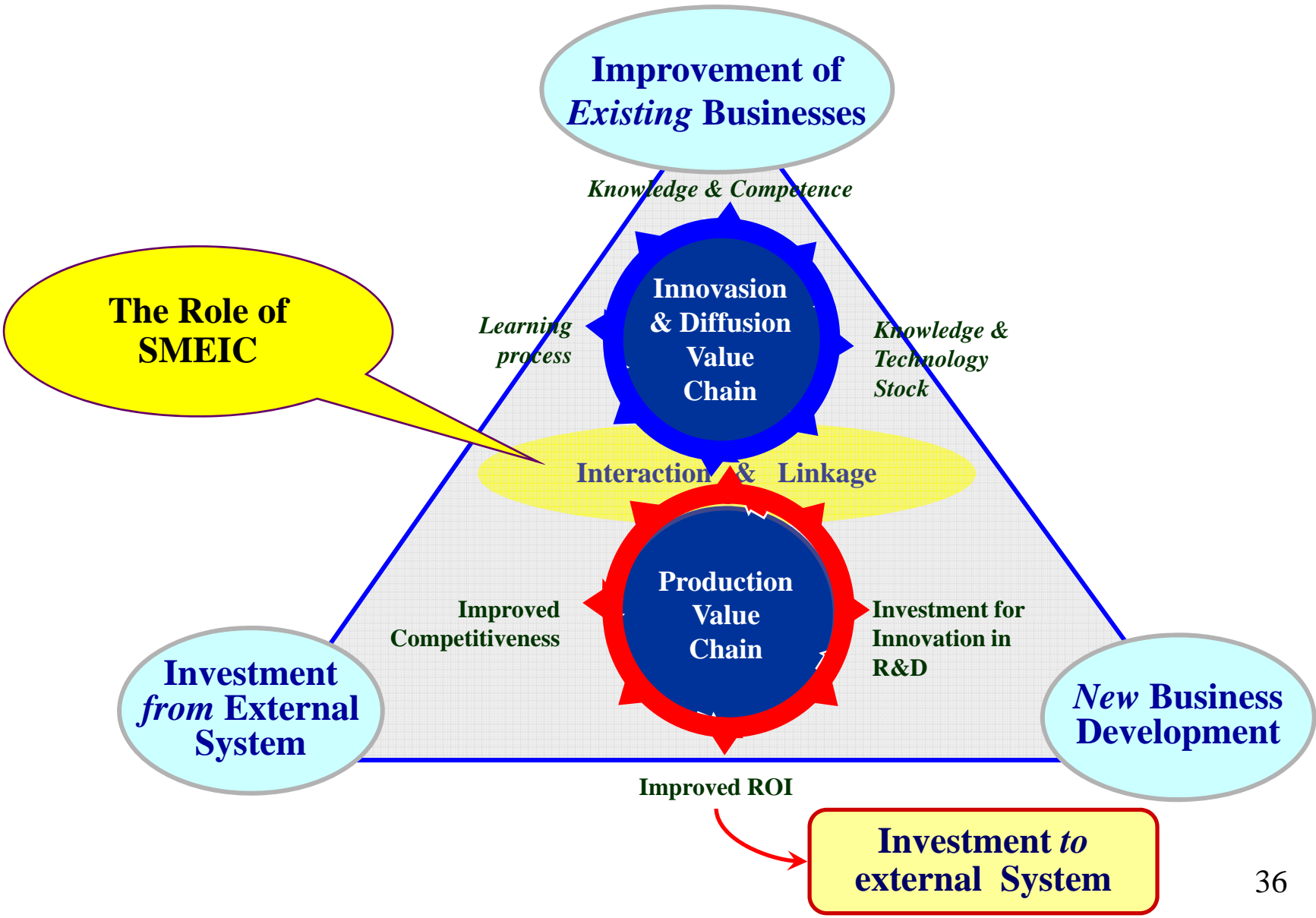
STAGES	ACTOR
Industry	
<i>Later Stage Financing</i>	Risk Capital
<i>Early Stage Financing</i>	Risk Capital
<i>Business Start Up</i>	Risk Capital
Marketing & Commercialization	
<i>"Testing the Water"</i>	ENI
<i>Business Meeting</i>	ENI
<i>Show & Exhibition</i>	ENI
<i>Business Plan & Valuation</i>	ENI
<i>Development</i>	R&D
IP	IP Centre
Evaluation of Commercial Prospect	ENI
Research	R&D
Techn. & Market Feasibility Assessment	ENI & R&D
Drafting Research Proposal	R&D
<i>Idea Generation</i>	Inventor/Innovator

Coordination
by
SMEIC

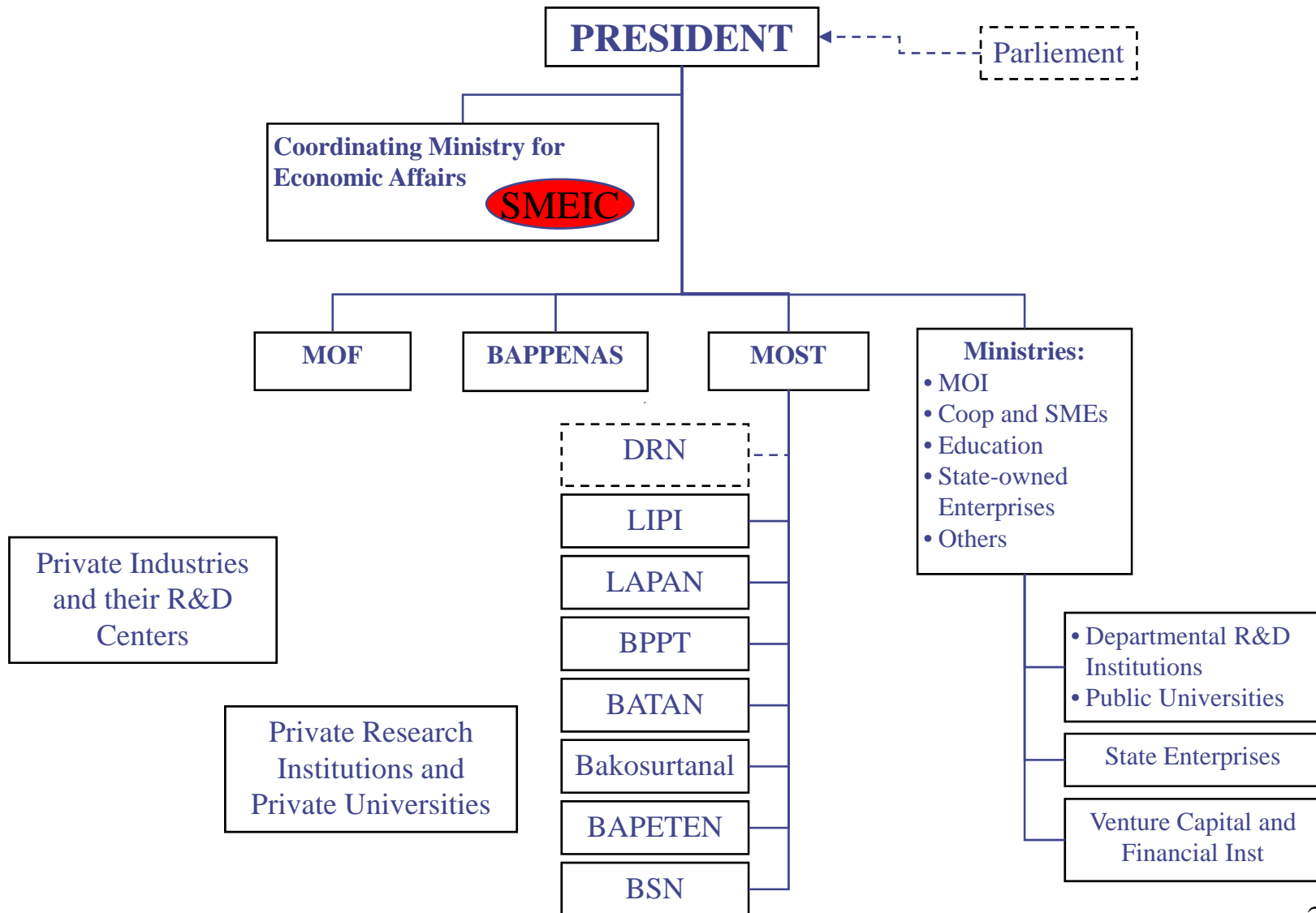
SMEIC - A Concept of National Innovation System



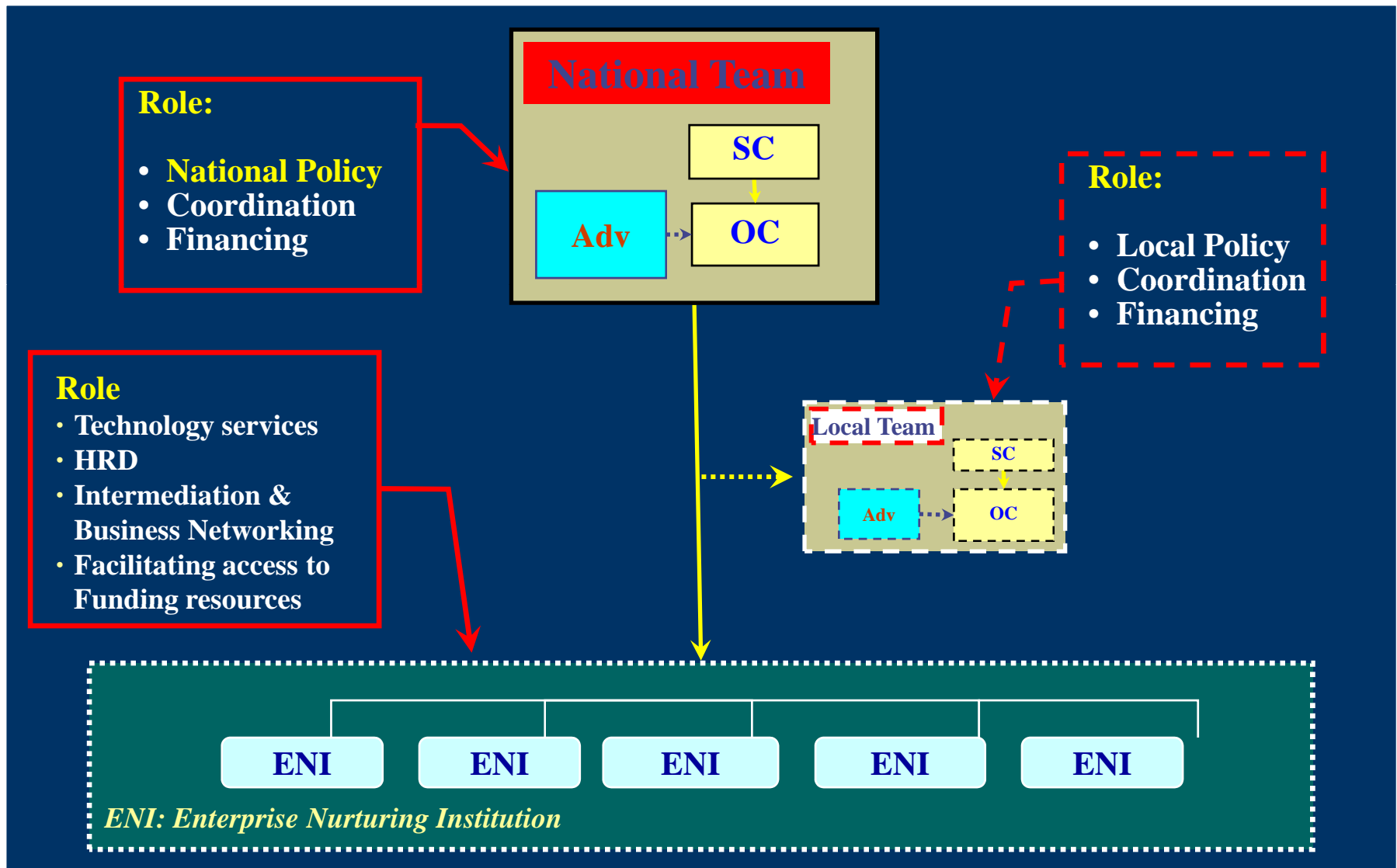
SMEIC - Framework



SMEIC – SMEIC within NIS



SMEIC - Management



SMEIC - Management

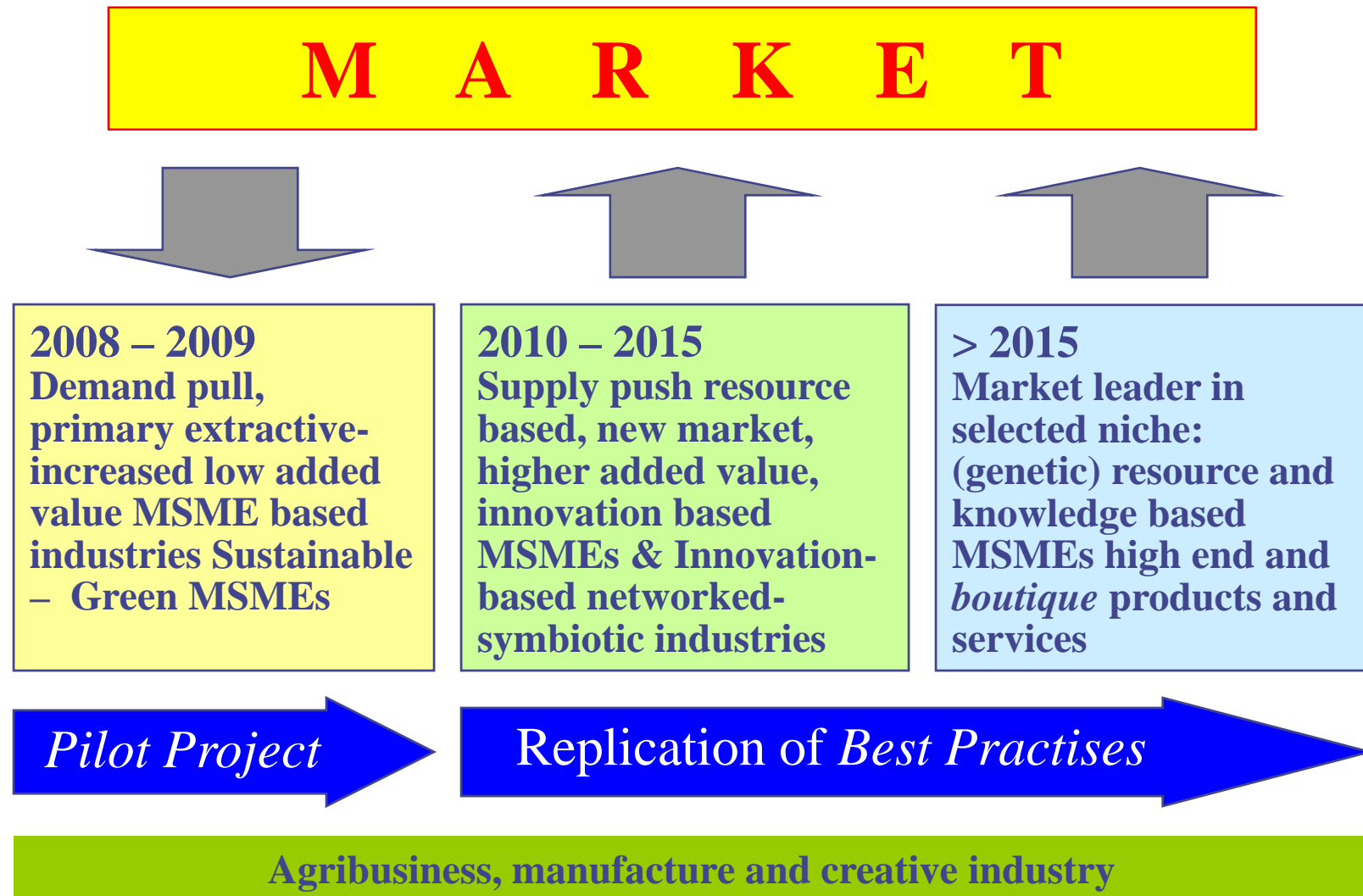
◆ Steering Committee

- Chair: Coordinating Minister of Economy
- Member: State Minister of Cooperatives & SME, Minister of Industry, Minister of Internal Affairs, State Minister of Research & Technology, Minister of Finance, Minister of Planning, Chairman of BPPT, etc

◆ Organizing Committee

- Chair: Deputy Chairman for Technology Policy Assessment, BPPT
- Secretary: Deputy Assistant for Technology Policy Assessment, BPPT
- Member: Higher level Officials of Departments and related institutions

SMEIC - Roadmap



Conclusion

- For NIS to perform, it requires concerted effort of all stakeholders
- Indonesian initiative toward the strengthening of national innovation systems is materialized in the SME Innovation Centre

The
National
Trade
Promotion
Agency in
Malaysia



APEC Training Course , HANOI, 17th – 19th June
2008



Malaysia External

Development Corporation

Agenda

MATRADE Overview

- Mission and Vision

MATRADE's organizational structure and functions

MATRADE's core activities

Exporters Development Programmes

- Exporters Development Division
- Trade Promotion Division

Major Activities

SWOT analysis

Challenges

Way Forward

SMIDEC initiatives for SMEs



MATRADE's Overview

Incorporated in 1993 under the purview of Ministry of International Trade and Industry with primary role to assist Malaysian exporters to develop and expand their export markets. Apart from MATRADE the other government agency that entrusted to develop SME in Malaysia is MARDEC, MPC and SMIDEC.

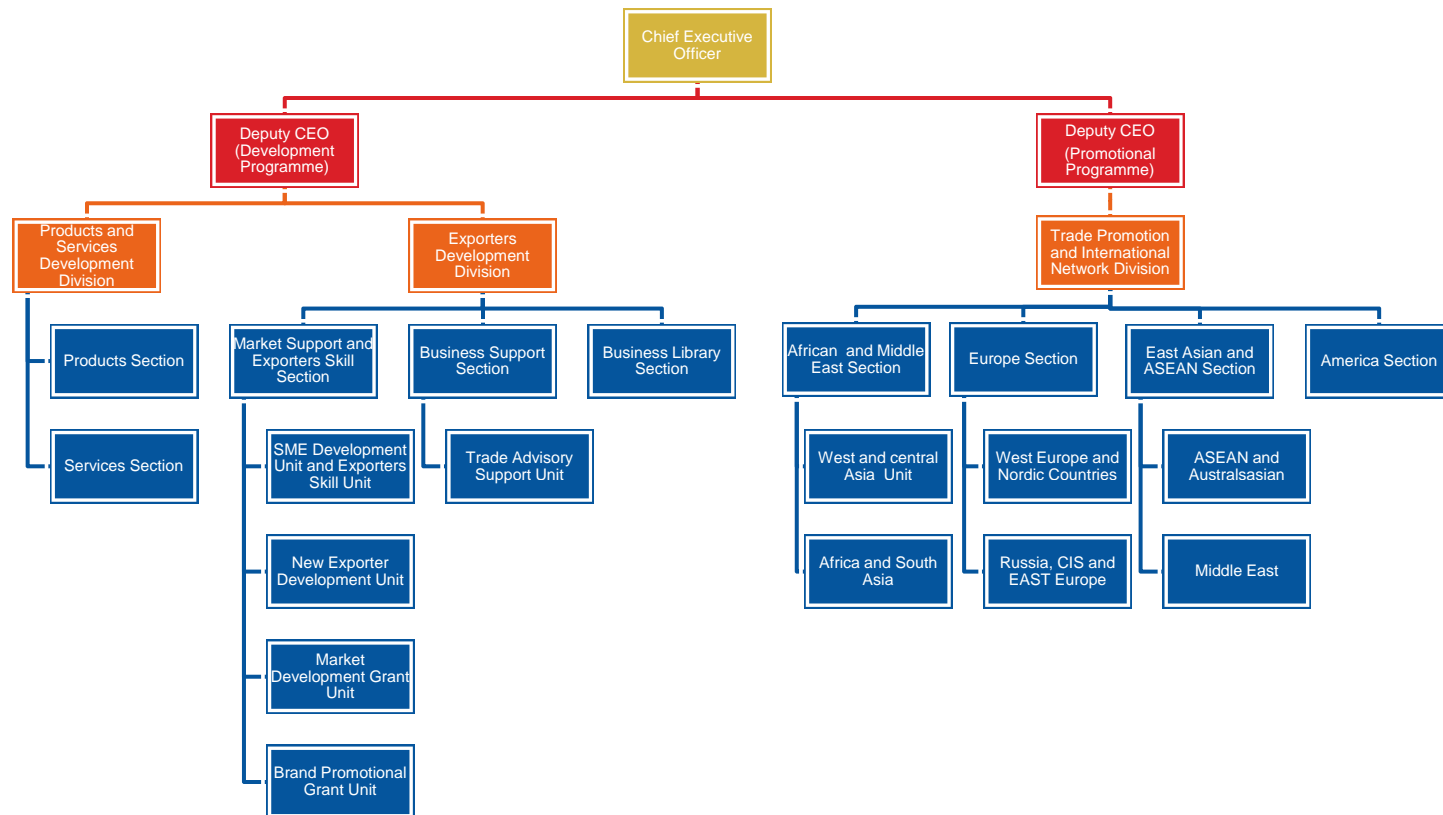
MATRADE 's Vision

“To be a Premier Trade Promotion Agency, recognized for its effectiveness, professionalism and innovativeness”

MATRADE 's Mission

“To enable Malaysian companies achieve their fullest potential in the international market and to improve the image and positioning of Malaysia's products and services in the global market”

MATRADE's organizational structure



Organizational Functions

Products and Services Development Division

- market intelligences
- industry update relevant to exporters products and sectors.

Trade Promotion and International Network Division

- providing ground support at host countries
- Investigate opportunities and
- assisting exporters in establishing links to potential buyers

Exporters Development Division

- provide necessary knowledge and training in International Business
- assisting exporters with grants – MDG, BPG and SEF
- disseminating information on export opportunities

MATRADE's Core Activities

Exporters Development

Workshops

Seminars

Consultations with industry associations & exporters

Trade Support & Facilitation

Trade Advisory Helpdesk

Business Information Counter, KLIA

Grants MDG, BPG & SEF

Trade Information

Business Library

Publications

E-Publications

On-line databases

Market Reports and Alerts

Product Market Studies

On-line News

Trade Promotion

Trade fairs and missions

Information booths

Specialised marketing missions

In-coming buyers missions

In-store promotion

Export exhibition centres

Exporters Development

Exporters Development Division

SME Development and Export Skill Unit

Responsible in providing necessary knowledge and skills relevant to International Business through :

Workshops – INCOTERMS, Country Brief,

Seminars – such as Business and Consultation session (BNC) throughout Malaysia.

Consultation with relevant industry players to know and understand their concerns and way to improve it.

Annual consultation session with Chambers of Commerce, Federation of Malaysia Manufacturers, relevant government agencies etc.

Exporters Development

Exporters Development Division

Trade Support and Facilitation

Trade Advisory Services Unit. (TASU)

Provide trade advisory services to exporters - registration with MATRADE, disseminating information on overseas business opportunities and MATRADE services offering.

Provide information about Malaysian exporters to potential importers either at KLIA or MATRADE HQ helpdesk.

Exporters Development

Exporters Development Division

Grants

Market Development Grant (MDG)

An export development grant for company to venture into new potential export markets either through MATRADE's organised events or other internationally recognised trade events and export promotional activities.

- Payment through reimbursement basis up to 50% of claimable expenses.
- Covered participation fees, accommodation and air fares for one person.
- Only for SMEs.

Brand Promotion Grant (BPG)

A brand promotion grant for developing and promoting Malaysian brand internationally.

- Payment through reimburse basis up to RM 2million (USD\$625,000)
- For SMEs and Non SMEs

Services Export Fund (SEF)

An assistance programme for participation in international tenders.

- Reimbursement basis up to 50% from tender fees value and other related expenses if company fail to secure the projects. For SMEs and Non SMEs.

Exporters Development

Exporters Development Division

Trade Information

Business Library

One stop centre for market research and information related to international business. Disseminating information on Market alerts, Market reports & Product market studies.

Publications

- Directories (by sectors)
- Handbooks/Guidebooks
- Trade Publications

Export Promotional Activities

Trade Promotion

Trade Promotion and International Network Division & Products and Services Development Division

Responsible in organising promotional activities either locally or internationally :
Internationally : Trade exhibitions, Trade & investment missions, Specialised Selling Missions, in-store promotions and promotion booths

Locally : Promotion booths, Trade exhibitions and incoming buyers missions

Major Activities for year 2008

	<u>Total</u>	
1. Trade Fairs	66	
2. Trade and Investment Missions		9
3. Specialised Marketing Missions	14	
4. Promotion Booths	68	
5. Incoming Buyers Missions	3	
6. In-Store Promotions	1	

SWOT Analysis on MATRADE

Strengths

- 37 offices worldwide
- Focus on export promotion activities
- Dedicated staff
- Strong support from government

Weaknesses

- Less emphasis on exporters development strategies
- No formal co-ordination with other government agencies

Threats

- Globalisation and FTA
- Development Vs Promotion strategies
- Diminishing roles as other government agencies also actively involved in export

Opportunities

- Shift of focus from promotion to development.
- Further collaboration with SMIDEC

MATRADE's Challenges

Globalisation and FTAs in International Business

- Need to have a more proactive approach.

Emergence of New regional economies such as Vietnam, Cambodia and China

- Need to find niche area which can be capitalise for exporters benefit

Promotion Vs Development strategies

- Focus more on capacity building through development activities

Segmentation of exporters.

- Need to segment exporters according to their export readiness

MATRADE's Way Forward

Shifting of strategy from promotion orientated to development

Need to recognise development process as a key element in ensuring exporters success.

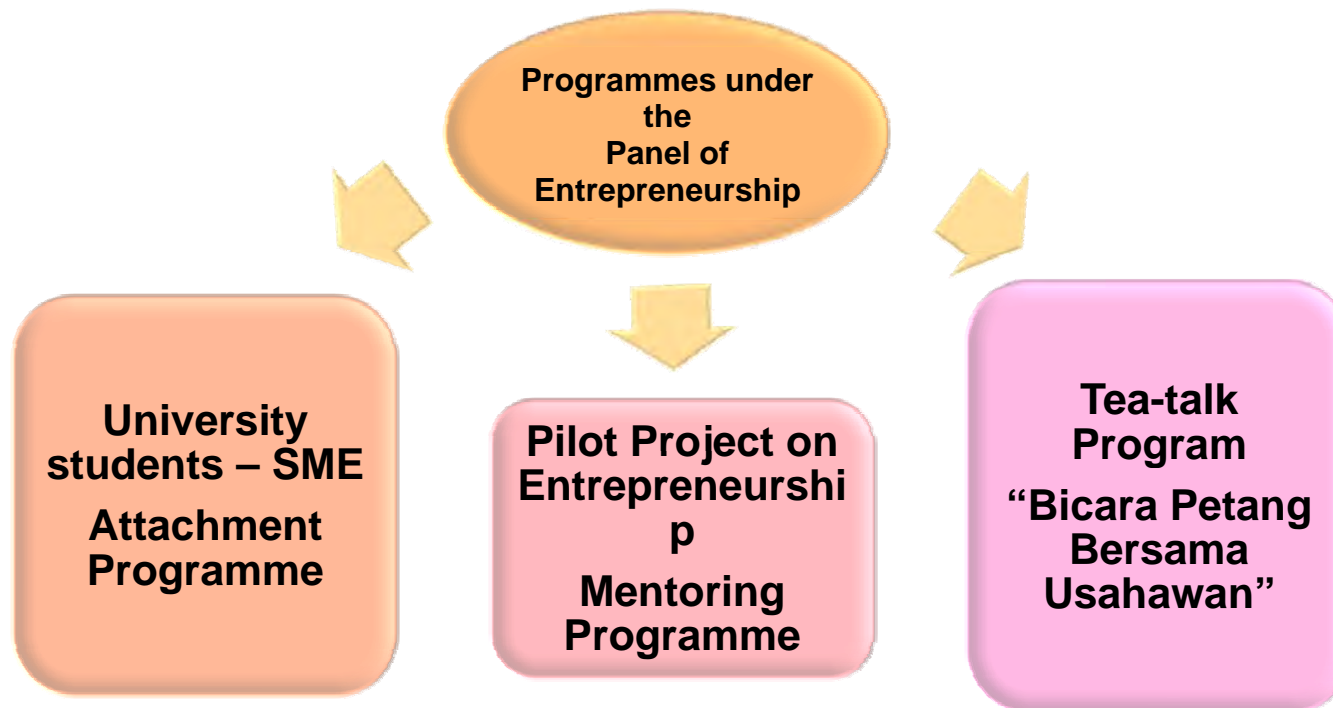
Segmentation of exporters according to their readiness and to recognise each segment unique needs.

Establishment of common database and reporting system through out MATRADE

Establishment of one division to co-ordination activities with other government agencies.

SMIDEC's initiatives for SMEs

Entrepreneurship programmes



SMIDEC's initiatives for SMEs

Entrepreneurship programmes

UNIVERSITY - SME ATTACHMENT PROGRAMME

- **Benefits to SMEs:**

- exposure to the latest development of business practices and applications of technology; and
- improved ways of doing business.

University
Education



Local SMEs

Students

- **Benefits to students:**

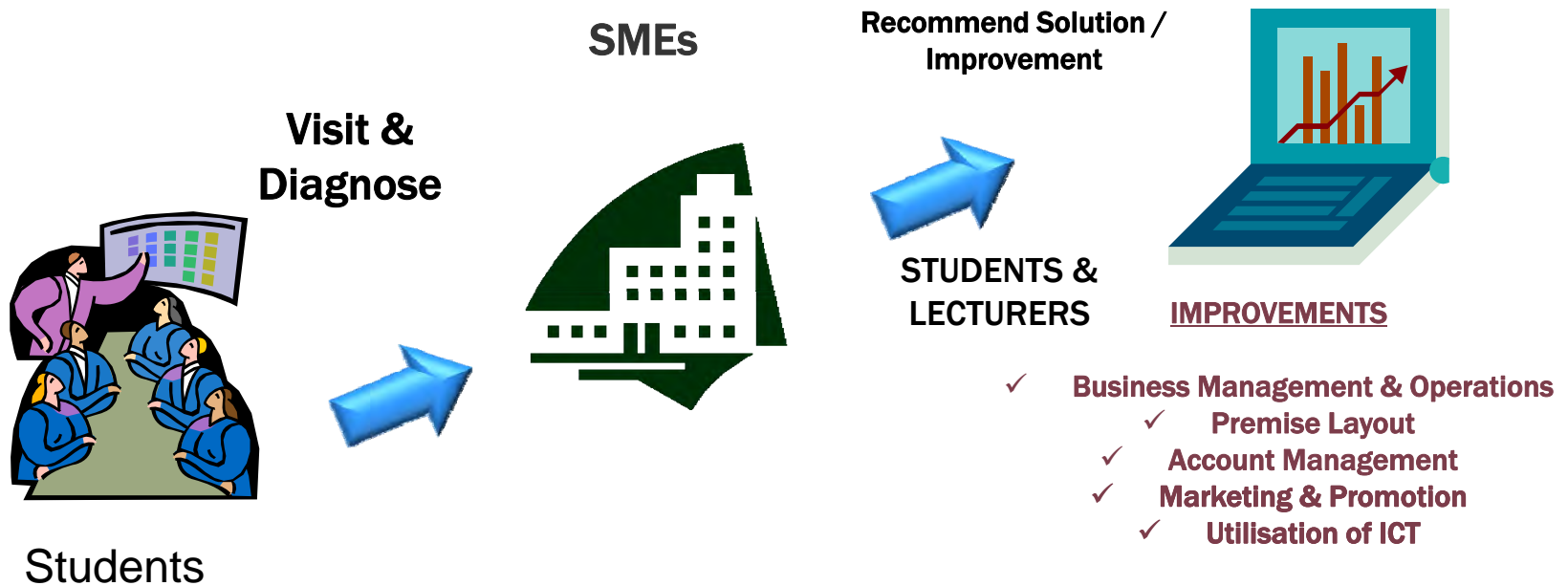
- industry exposure and practical applications of their studies as well as enhance self confidence in doing business; and
- inculcate the spirit of entrepreneurship.

Linking SMEs to Universities to upgrade the
capability of SMEs

SMIDEC's initiatives for SMEs

Entrepreneurship programmes

UNIVERSITY – SME INTERNSHIP PROGRAMME



SMIDEC's initiatives for SMEs

Entrepreneurship programmes

UNIVERSITY – SME INTERNSHIP PROGRAMME (*Modus Operandi*)

- Final year students attached at selected SMEs' premises for a period of **three (3) months**.
- Based on **collaborative consultancy approach** – participating students will consult their lecturers on the findings and problems encountered by SMEs.
- Students with guidance from lecturers will provide suggestions or recommendations to SMEs. Students may then assist wherever possible, to improve the current condition of the premises / SMEs.
- Students were nurtured with the knowledge related to entrepreneurship through series of lectures from successful entrepreneurs including **SME Expert Advisory Panel (SEAP) and SMIDEC's SME Counsellors**.
- At the end of the Programme, students were required to make a **presentation** on the improvement that SMEs have achieved.

SMIDEC's initiatives for SMEs

Entrepreneurship programmes

UNIVERSITY – SME INTERNSHIP PROGRAMME (*Modus Operandi*)

Cont.....

- Students with strong entrepreneurial desire will be considered to join **Program Inkubator Usahawan Siswazah (PIUS)** and those with viable business plan will then be fast tracked towards getting various financial facilities such as the **SME Start-up Fund under the SME Bank**.
- SMEs intending to implement the recommendations, if eligible will be supported with various **SMIDEC financial assistance schemes**.

SMIDEC's initiatives for SMEs

Entrepreneurship programmes

Pilot Project on Entrepreneurship Mentoring Programme

- **Chairman - Dato' Mohd. Nadzmi Mohd. Salleh**
- **Objective - to hand-hold ten (10) selected companies (2 years).**
- **Graduated companies - mentors other SMEs**
- **10 potential SMEs - short listed**
- **SCORE conducted on these companies**



A whole Movement for the Competitiveness of the
SME s in Mexico

SECRETARÍA
DE ECONOMÍA



SE

Enhancing Entrepreneurship Skills for SME's in Mexico

Mexican Ministry of Economy
Vietnam, June 17-19



SECRETARÍA
DE ECONOMÍA

SE



A whole Movement for the Competitiveness of the
SME s in Mexico

The Context of SME's policies in Mexico



“SMEs and MEs Policies in Mexico”

The contribution of the SMEs to the economic activity in Mexico is very important, since they constitute a fundamental pillar for the creation of jobs, economic growth and local and regional development.

SECRETARÍA
DE ECONOMÍA



In order to maximize the impact of the SME policies, the *SME Fund*, operated by the Under Ministry for Small and Medium Enterprises, had been implemented 5 strategic programs grouped around 5 specific services.

These programs aimed at making the vast SME sector more efficient, competitive and position SMEs in the local and global markets and are the core of the “integral economic policy for the development of SMEs”, a key component of the Mexican government strategy towards an innovation-based growth model which implies, to a large extent, increasing SMEs’ productivity through technology and innovation.

Under this new innovation-oriented policies, the authorities have rightly placed strong emphasis upon building a coherent institutional infrastructure (collective efficiencies), with a view to stimulating the creation of new firms and strengthening existing ones. Partly inspired by international best practices, a coherent sequence of four institutional

Objective

¿what
?

More and better
Jobs

More and better
SMEs

More and better
entrepreneurs

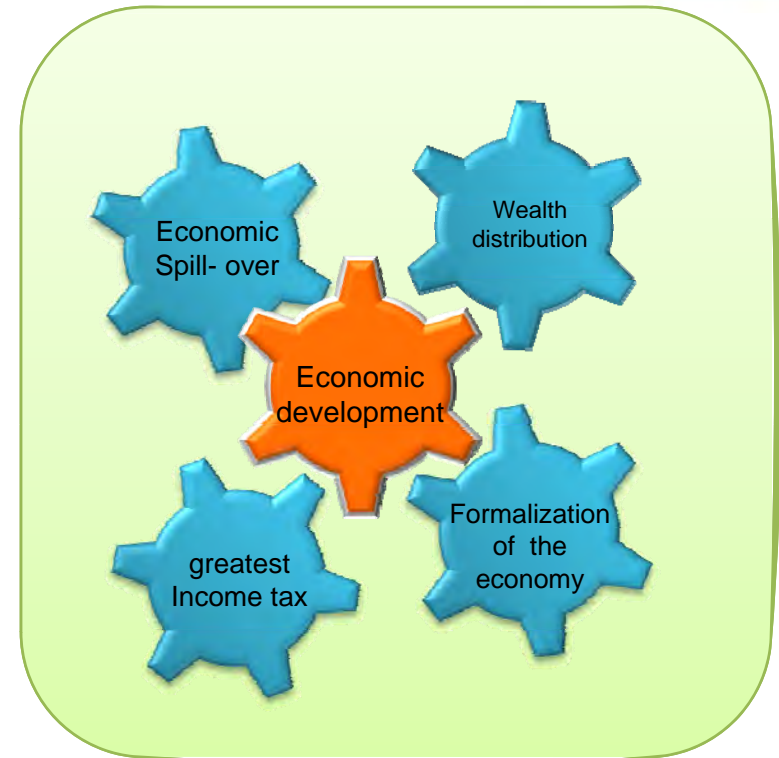
And As a
Consequence:

A New Approach
“What you measure,
what you obtain”

SECRETARÍA
DE ECONOMÍA



SE



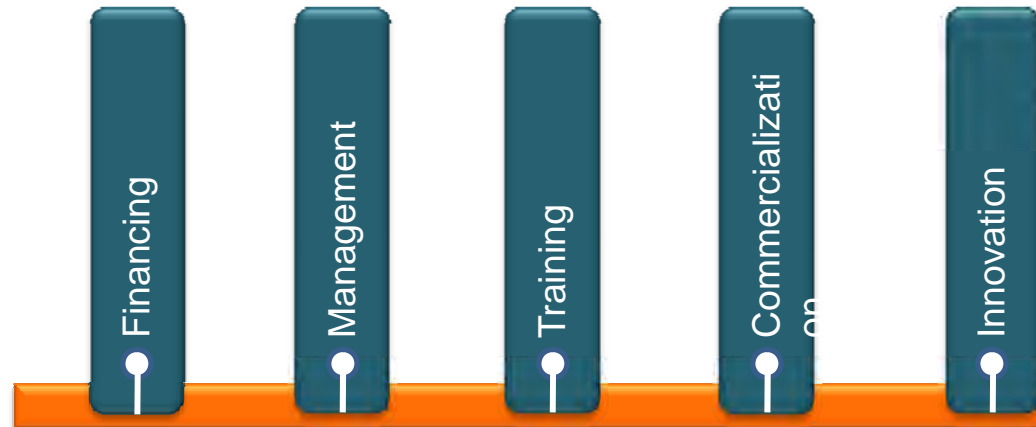
Reduce poverty



¿How to obtain it?: 5 Segments with 5 Services of Overall Attention



SERVICES

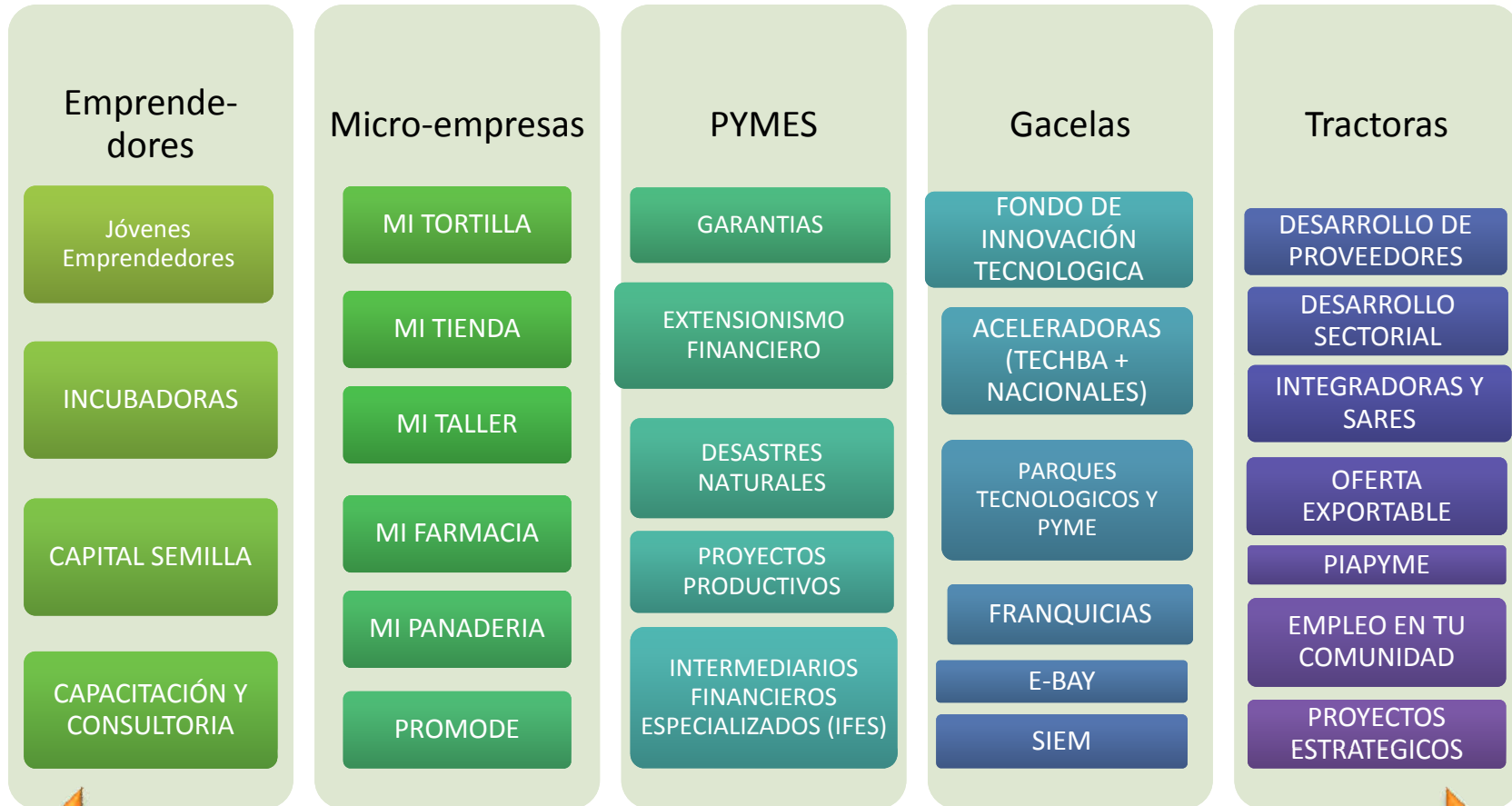


SEGMENTS



	Financing	Management	Training	Commercializati	Innovation
"Tractors"		✓		✓	✓
"Gazelles"	✓	✓	✓	✓	✓
Small and Mediums	✓	✓	✓	✓	✓
Micro Enterprises	✓	✓	✓	✓	✓
Entrepreneurs	✓	✓	✓	✓	✓

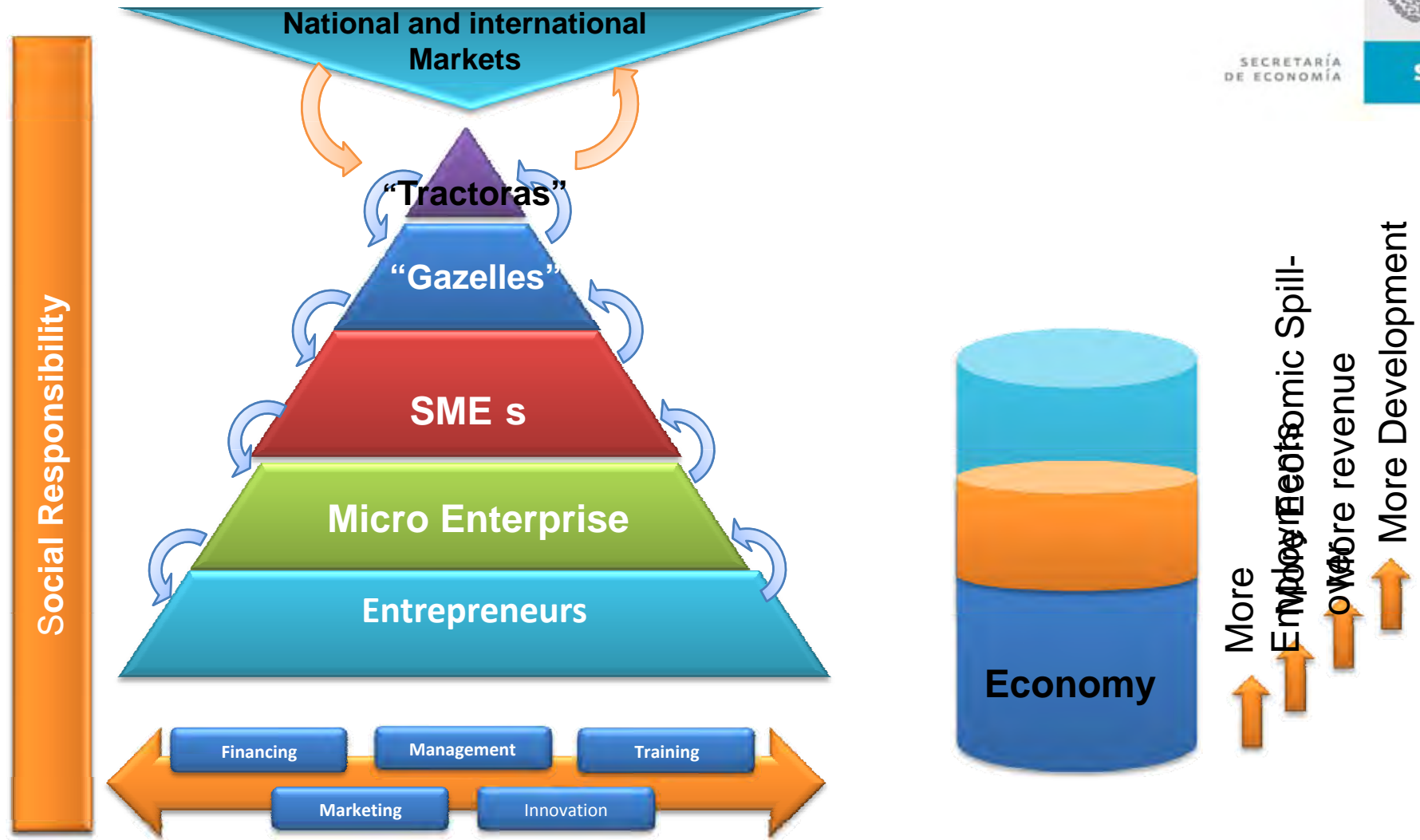
Programas



← VENTANILLAS MÉXICO EMPRENDE →

SEGUIMIENTO

How to do it?



MEXICO TAKING ON VENTURES A WHOLE MOVEMENT FOR THE COMPETITIVENESS OF THE SME'S IN MEXICO



SECRETARÍA
DE ECONOMÍA

SE

PYME^{MR}
SECRETARÍA DE ECONOMÍA

A whole Movement for the Competitiveness of the
SME s in Mexico

Entrepreneurs' National Program

Strategy 2008

Entrepreneurs' National Program

Objective

The **Entrepreneurs' National Program** has the objective to promote and enhance in the Mexicans' mind the culture and business development that results in the creation of **more and better** enterprises through the **National**



"Source of Enterprises"

- Entrepreneurs' National Campaign.
- To promote the Entrepreneur Program in all the institutions of middle and higher education.

Entrepreneurs



"Factory of Businesses"

- Creation of aggregate value and longevity businesses.
- Creation and consolidation of Businesses Incubators.

Incubators



"Becoming Mexico in an entrepreneurs land"

Heriberto Félix Guerra

Entrepreneurs' Program

Promote and enhance entrepreneurship and entrepreneurial activity.



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SE

Entrepreneurs' National Campaign

Regional Routes

Advertising Campaign

Entrepreneurs' Events

"Mexico Emprende"

"Entrepreneurial Card"

"Entrepreneurs' Caravan"



Young Entrepreneurs

Entrepreneurs' Methodologies

Printing Promotional Materials

Training Program for Entrepreneur Leaders



Entrepreneur s Program

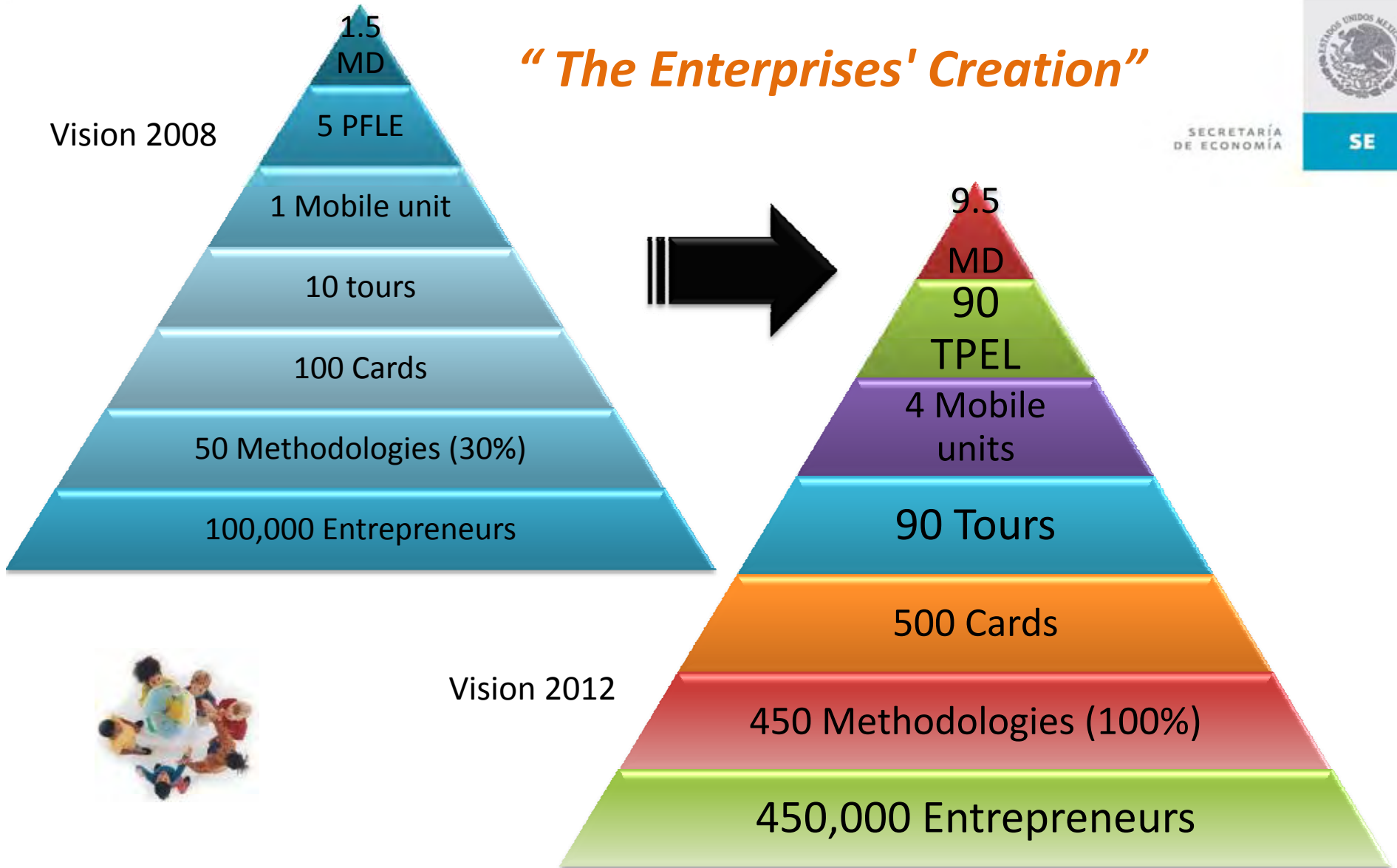
Goals 2008 - 2012



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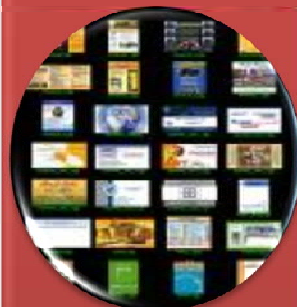
“The Enterprises' Creation”



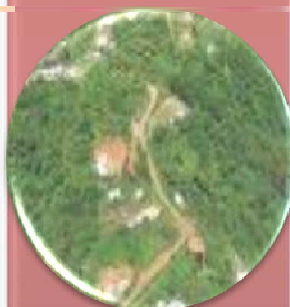
ENTREPRENEURS



Tours and awareness campaigns for entrepreneurs



Design and printing materials



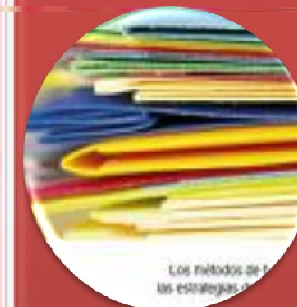
Project detection, recruitment and selection Brigades



"Entrepreneur Cards"



Consultancy for projects incubation "Entrepreneur Card"



Implementation and transfer of methodologies and printing materials

SME FUND 2008

The National Incubators' Network is a tool to foster economic growth, to contribute in the creation of **more and better entrepreneurs, more and better enterprises, more and better employments.**

SECRETARÍA
DE ECONOMÍA



✓The objective is to create and enhance the incubators' network at national level ensuring the best incubator practices and programs and the appropriate customers services.

✓To assist in the creation of innovative enterprises with more added value and longevity.

500 incubators with the best incubator practices

Operate the BEST Incubator Policy.



Classifying the Business Incubators

According with the different kind of the created enterprises, the business incubators are classified by:

Traditional Business Incubators

To support the creation of businesses in traditional sectors with basic requirements of operation. In this classification, incubators are oriented in rural sector and alternative tourism.



Intermediate Technology Business Incubators

To support the creation of enterprises with technological and physical infrastructure requirements, as well as operation mechanisms and semi-specialized processes.



High Technology Business Incubators

To support the creation of businesses in specialized sectors such as Information and Communication Technologies (ICT's), microelectronic MEM' S systems, biotechnology and pharmaceutical, and others.





Business Incubators

Strategies – key points for Mexico in the Business Incubator Program



Creation and Consolidation of 500 incubators with the best incubation services

- Creation of specialized incubators, development of providers.
- Consolidation of weak incubators, helping them to reach international standards.
- Implementing a regional strategy to supervise incubators and report information in real time. (Independent work for each kind of incubators)



A call for Enterprises for the Incubation Process

- Through a national call at least 30 % of the projects will be selected to receive the incubation process in 2008.
- **National Prize for Entrepreneurs**
- Through the “Entrepreneur Card” the citizen will receive direct benefits.



National Incubators Trust

- Creation of a national trust to strengthen incubators and resource management, working as a leadership body for incubators.
- Creation of 8 regional trusts with the same functions at the national and regional levels.
- The trust will be integrated by members of the community with a great degree of acceptance amongst the stakeholders.



Creation of New Incubators

- Through the presentation of feasibility studies according to the particular attributes of the region.
- A Special Committee integrated by a representative of the ministry of economy, the local government, specialists, etc.
- The feasibility study will be evaluated considering the country necessities, the qualities of the project, its added value and its strengths.



Strengthening Institutional Relations

- Visits to all incubators starting with the top 50 around the country, with the purpose of strengthening relations and commitments with the authorities.
- The General Director will take part in the tour around the incubators and there will be a register of each visit.

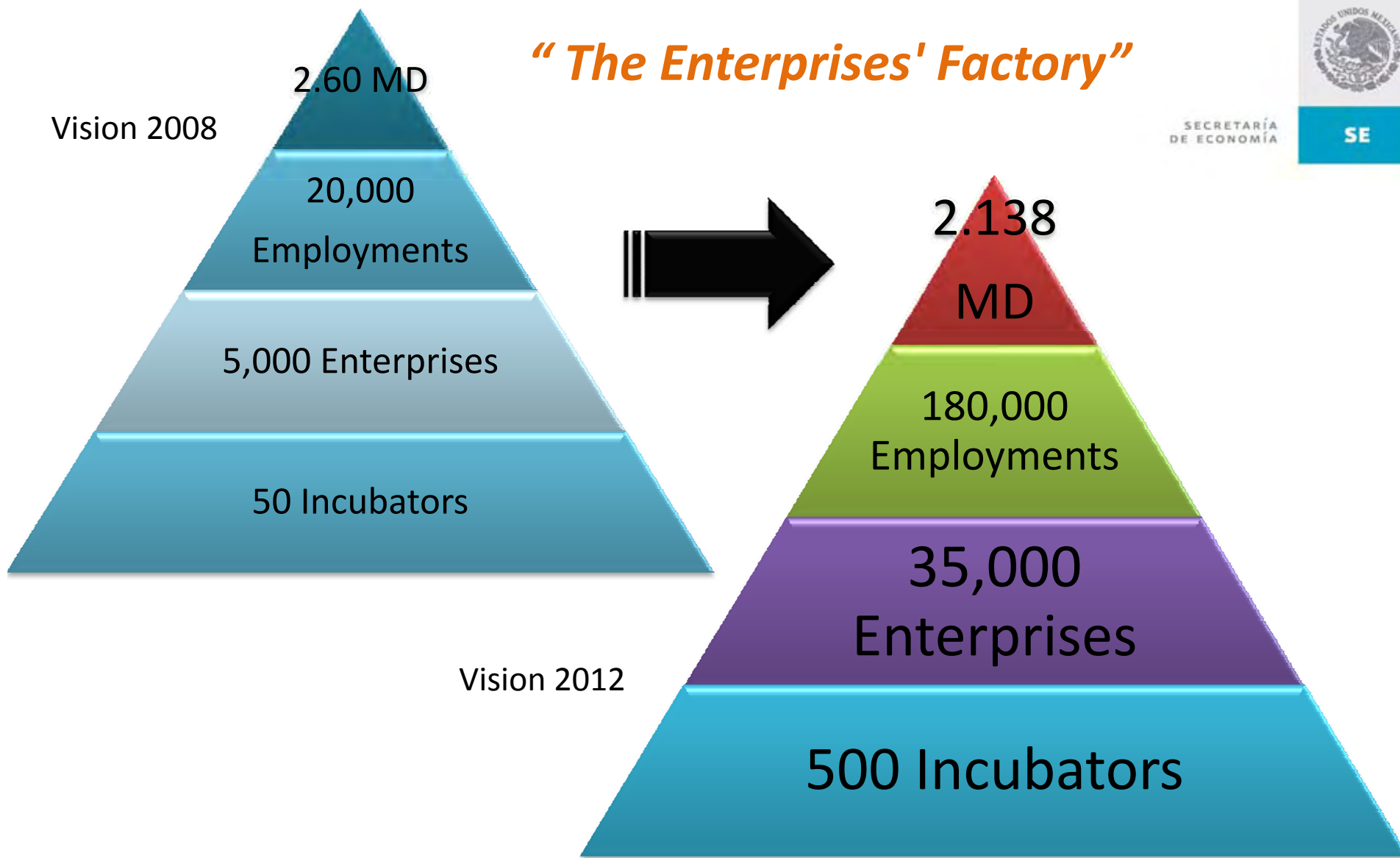


Strengthening and Standardizing Incubators

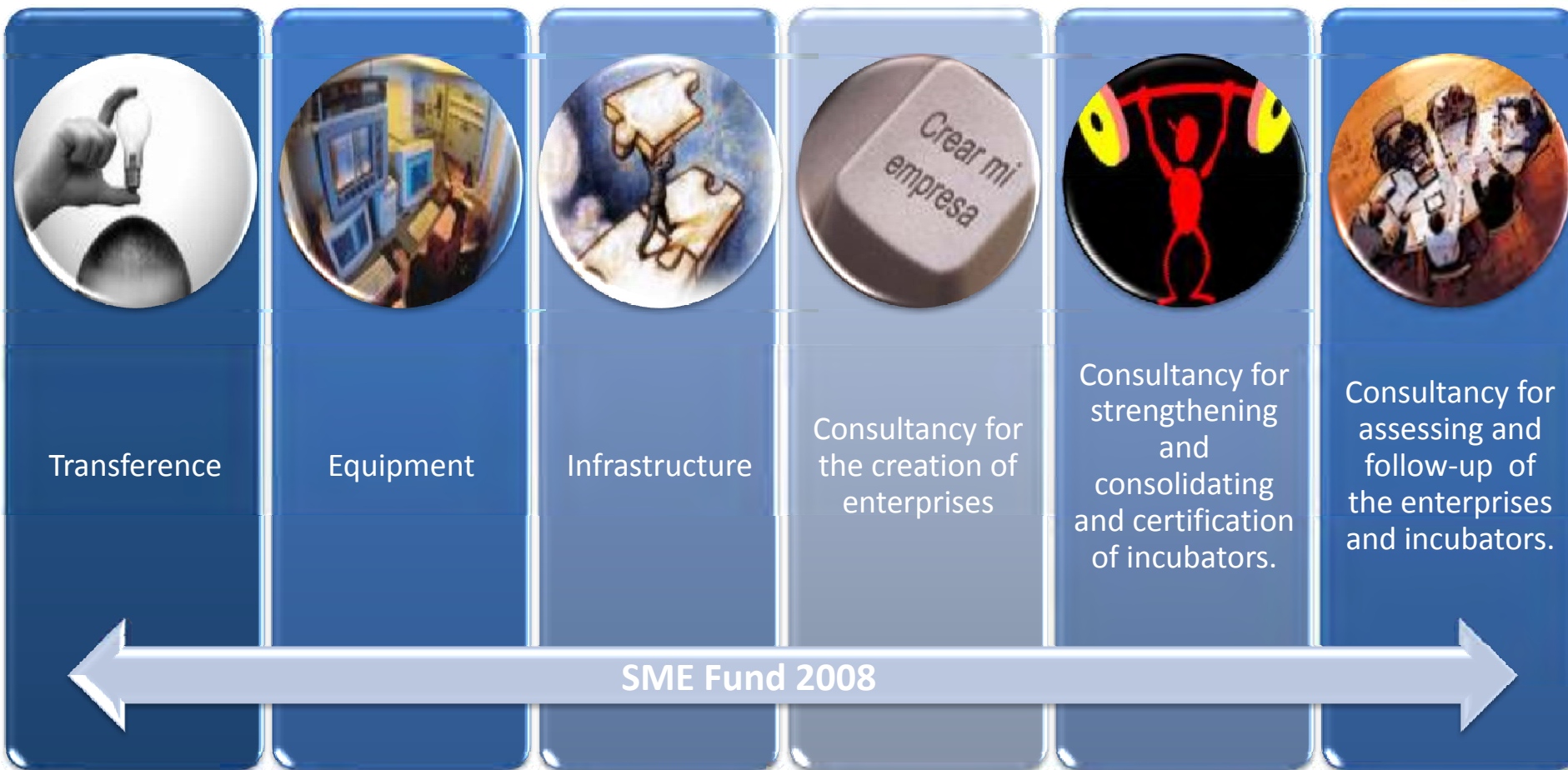
- Since this year, incubators receive financial support only if they are complying with the standards for the creation of enterprises.
- Special support has been established to those incubators complying with the standards.
- The process to design a certification norm for incubators.
- By the end of 2008, the process of certifying the consultancy team of the incubators will start.



“The Enterprises' Factory”



INCUBATORS

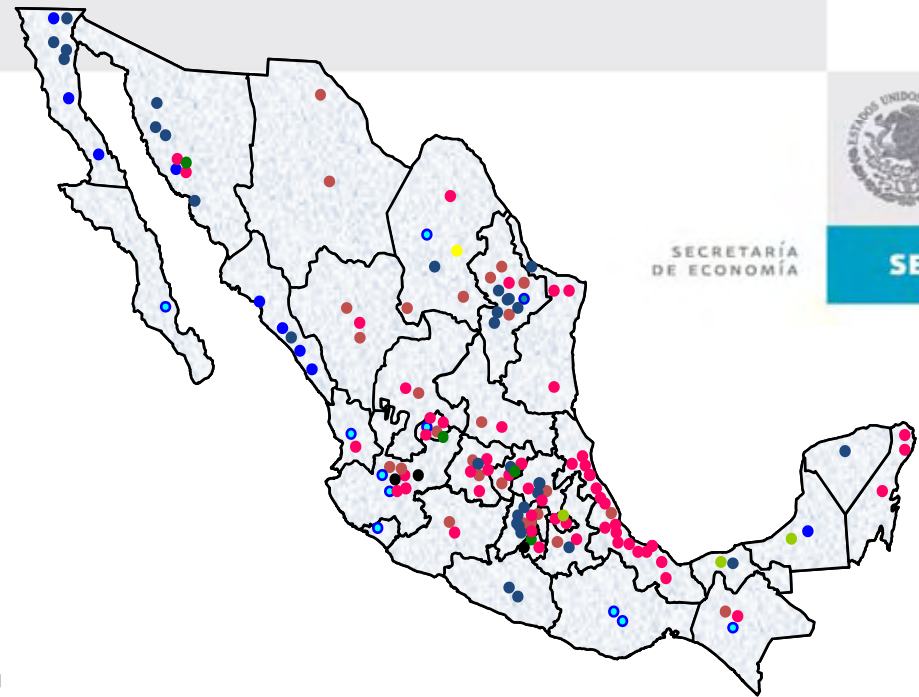
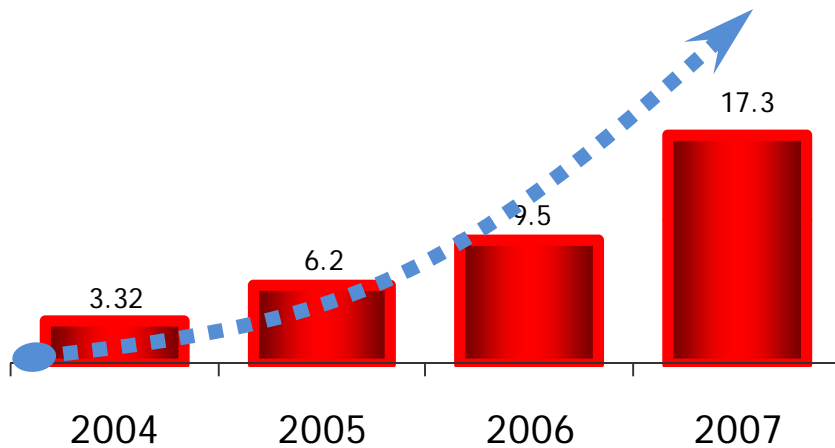




Entrepreneurs 'National Program

Program Results

SME Fund Resources for Business Incubators
about **\$36 MD**



Number of Business Incubators

Year	Traditional	Intermediate	High	TOTAL
2004	26	65	7	98
2005	61	124	10	195
2006	148	144	14	306
2007	188	194	18	400
2008	213	214	23	450



Entrepreneurs 'National Program

Program Results

Through the SME Fund, resources have been given for the creation and strengthening of business incubators

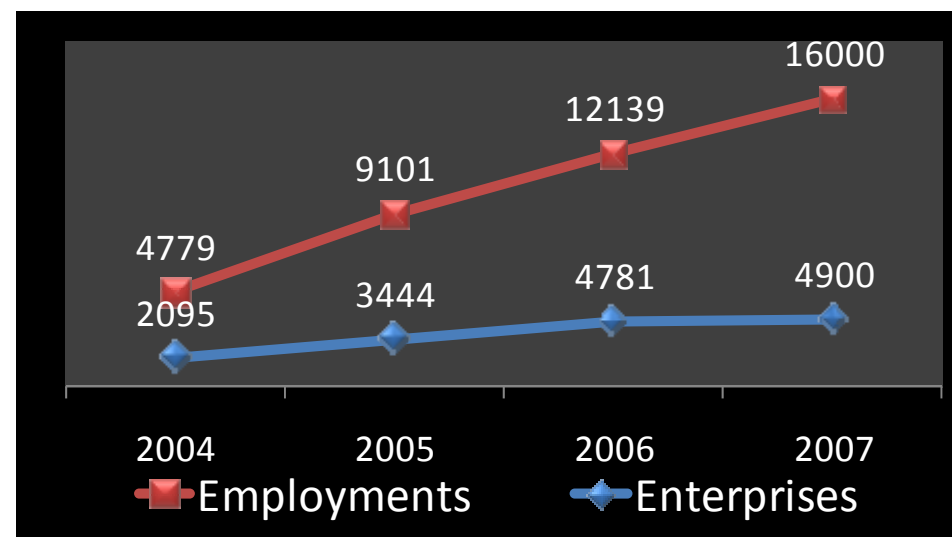


Created Enterprises and Employments

Year	2004	2005	2006	2007	Total
Enterprises	2095	3444	4781	4900	15220
Employments	4779	9101	12139	16000	42029



Created Employments and Enterprises



Business Incubators in Mexico



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Business Incubators in Mexico



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Thanks

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Small Business Development Corporation



Overview of SBDC





Introduction

- The Small Business Development Corporation became operational in 1992 and is mandated, through the SBDC Act, 1990 to assist Papua New Guineans start and improve small-scale businesses for employment creation and to improve the standard of living in the country.



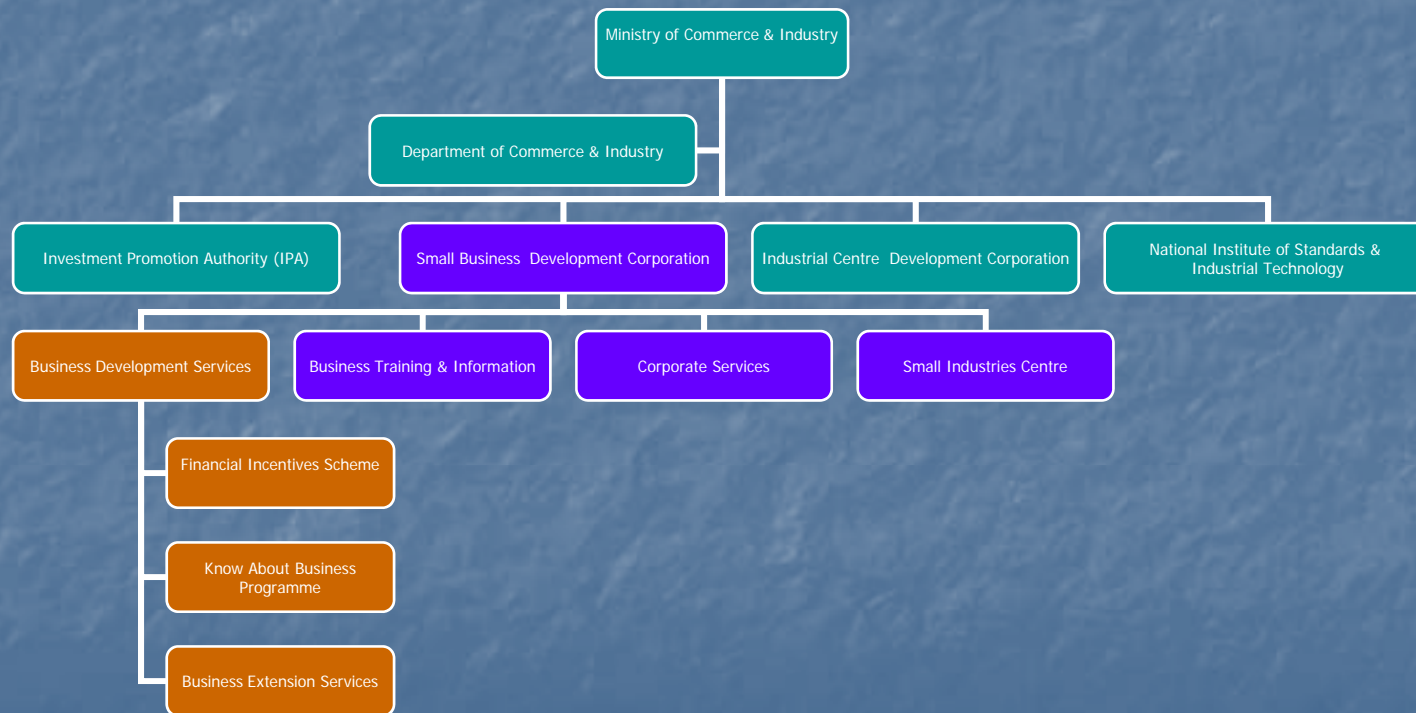


SBDC Mission Statement

- Small Business Development Corporation will evolve into a major catalytic force for improving small-scale business sectors employment generating capacity for meeting the present and future job creation needs of the country and to improve the standard of living.



Operational & Reporting Structure





SBDC Functions

- Create an environment to facilitate maximum small enterprise development in the country
- Formulate and recommend to the Minister, policies on the promotion of small business incentive schemes and financial support;
- Act as a sounding board for the Government, DCI and other line agencies for SME development to year 2020





SBDC Functions (cont'd)

- Create a national cost effective and efficient mechanism for the delivery of the required entrepreneurial development assistance
- Improve the success rate and increase the number of Papua New Guineans owned and operated small business through the facilitation of extension services
- Collaborate with the Ministry of Commerce & Industry and other government departments and agencies to facilitate SME action agenda of the APEC process





Organisational Structure

3 main divisions comprising a small unit of specialized staff (23) that provides support to the network of SED organizations in the country through:-

- Business Development Services Division
- Business Training & Information Services Division
- Small Industries Centre Division
- Corporate Services Division





Business Development Services Division



- Establish and maintain liaison between associates or groups of people representing small business and government.
- Establish and maintain a small business information centre
- Provide advice to SE on available finance and provide venture capital to SE; and
- Conduct research, publish and distribute information relevant to SE development;



Know About Business Programme

KAB Objective

- To contribute towards the creation of an enterprise culture in society by promoting awareness among young people of the opportunities and challenges of entrepreneurship and self-employment, and of their role in shaping their future and that of their country's economy and social development.





KAB Cont..

KAB Target Group and Beneficiaries



For teachers & instructors in public & private vocational, technical training institutions, general secondary education, higher technical education and professionals involve in enterprise promotion.



For students in the age group of 15 years and above



KAB Cont...

HIGHLIGHTS

- Globally recognized ILO entrepreneurial development training programme introduced by SBDC in 2005
- Launched by Minister for Education in 2006.
- KAB TVET Curriculum developed in 2006.
- Signing of MOU with Department of Education in April 2007.
- Total of 17 Vocational School country wide participating to date.
- Discussions in WIP with University of Goroka for KAB Teacher Training.





APEC LOCAL CULTURAL INDUSTRIES VIRTUAL EXPOSITION (ALCIVE)

- SBDC is spearheading PNG's participation at an international online exposition in Chinese Taipei (Taiwan) which was launched in August, 2006 –July 2007.
- Featuring all 21 APEC member economies with potential visitors to the exposition being consumers throughout the world





APEC ALCIVE ..Cont...

- The exposition will provide transaction opportunities for all participating products
- The objective of the initiative are:-
Enhancing the capacity of SME's and micro-enterprises in the local cultural industries in order that their markets can be expanded.





APEC ALCIVE

- Building a platform for local cultural industries in demonstration of their products to all APEC economies to boast business opportunities in the international markets.
- Strengthening cross –border cooperation in the APEC region in promotion of the development of overseas markets for the local cultural industry and seeking the best practices of market development





Financial Incentive Scheme

HIGHLIGHTS

- Launched in November 2005.
- Aim to provide guarantee to small business start-up unable to meet normal banking requirements.
- Total applications received to date 551.
- Total application value to date K24.4 million.
- Total FIS seed fund with RDB K1.0 million.
- Total loans approved by RDB 23.
- Total value of approved loans paid to date K780,000.





Financial Incentives Scheme – Cont..

- Total FIS seed fund with ANZ Bank K800,000.
- Total loans approved by ANZ Bank 8.
- Total value of approved loans paid to date by ANZ Bank K354,000.





A GUIDE TO CREDIT GUARANTEE APPLICATIONS



- COMPANY PROFILE
- BUSINESS PLAN
- FUNDS SOUGHT AND EQUITY
- ADDITIONAL COLLATERAL
- CASH FLOW PROJECTIONS
- OTHER INFORMATION





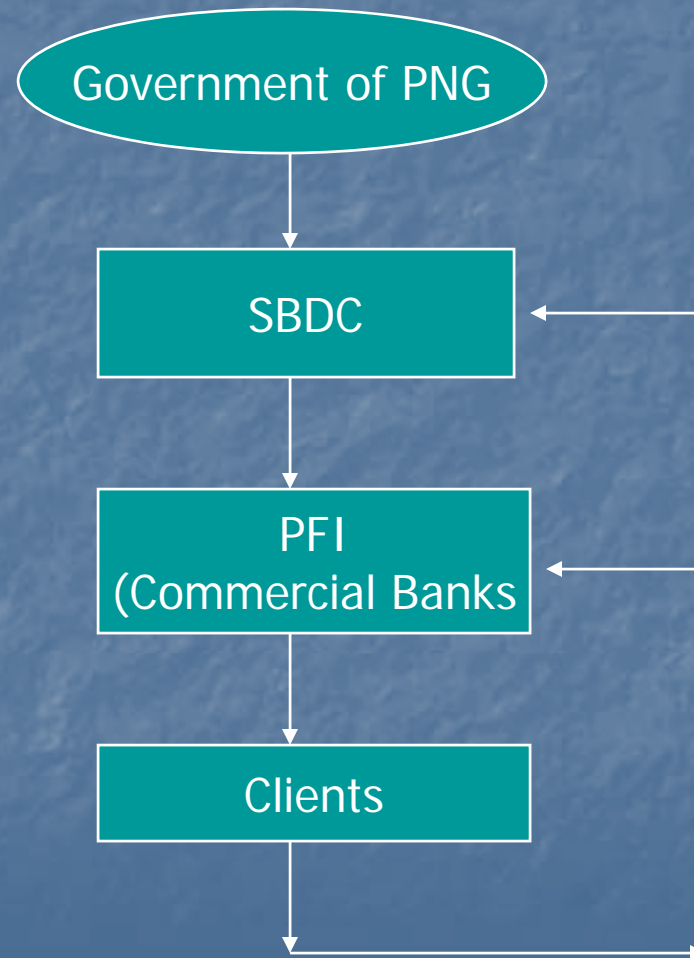
ELIGIBILITY REQUIREMENTS

- Small and owned individually or in family units.
- Applicants must possess or demonstrate some basic business management skills
- Must be engaged in some small informal business activity or require finance to start up of a new business activity
- Business must be 100% nationally owned.
- Projects be engaged in manufacturing, processing, agribusiness and professional services.





SCHEMATIC FLOW CHART OF SBDC GUARANTEE SCHEME





Start & Improve Your Business Division



- SIYB Division is responsible for research, development and facilitation of the SME needed entrepreneurship and business training support services for delivery by the network of SED Organizations.





Start & Improve Your Business Programme Office Division



- Provide either by itself or in conjunction with appropriate government or private sector organizations, an advisory, management and administrative service, for the development and expansion of small businesses;
- Arrange and co-ordinate training programs and skills development programs for SE;
- Achieve a practical level of integration & coordination with other SED programmes and agencies.



Division of Small Industries Centre

- Coordinate and provide technical skills, advise and training in production of leather products, rattan, metal fabrication and Light Engineering products to SMEs.
- In partnership with the DCI and other agencies, develop appropriate technologies for use by SMEs in local consumption and production for commercial purposes.





Corporate Services Division

- Provide the necessary support to the Office of the MD and the Board in realizing the objectives of the Corporation through;
 - ✓ Provision of support to other divisions in Business Development Services, Business Information & Training and Small industries Centre.





SME CONSTRAINTS

- Access to FINANCE
- Access to MARKETS
- Access to BUSINESS INFRASTRUCTURE & FACILITIES
- Access to INFORMATION
- Access to SKILLS DEVELOPMENT
- Access to APPROPRIATE TECHNOLOGY





Conclusion

SBDC is the lead implementing agency in SME development in Papua New Guinea.

- The remaining three (3) months will see SBDC making further progress and build on the achievements of the past two years and these include;
- The ongoing process of merging SIC into the Corporation
- Extending the outreach and scope of our small business credit scheme
- Participating in provincial impact programs
- Implementation of the KAB Program in schools as well as undertake further discussions with University of Goroka to incorporate as part of its teacher training program.
- Sectoral adaptation of the SIYB Program; and
- Further training of Master Trainers under SIYB.





WHERE TO GET MORE INFORMATION?






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P.O. Box 286, WAIGANI, NCD
Papua New Guinea

Ph: (675) 323 5816 (675) 325 0121

Fax: (675) 325 0801

Website: www.sbdc.gov.pg



Asia-Pacific Economic Cooperation

**APEC TRAINING COURSE ON ENHANCING
ENTREPRENEURSHIP FOR SMEs**

**“SMEs and Entrepreneurship as engines for Employment
and Development : concepts and the Peruvian case ”**

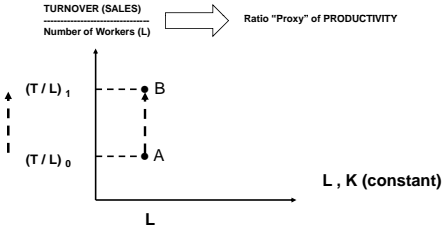
Submitted by: Mr. Ricardo Perez, MA
Business Development Director
National Bureau of Micro & Small Enterprises
Ministry of Labor and Employment Promotion
PERU

Hanoi, Vietnam ♦ June 17 – 19, 2008

1. ENTREPRENEURSHIP : BASIC CONCEPTS

❖ "It is frequently noted in the textbook theory of the firm that there is no role for the entrepreneur. This is the case largely because of the assumptions of **“perfect knowledge”** and a **“given technology”**. Once these assumptions are abandoned then the entrepreneur immediately becomes a strategic agent of change” (Henry Bruton, “On the Search for Well – Being”, 2000)

$$\frac{\text{TURNOVER (SALES)}}{\text{Number of Workers (L)}} \quad \Rightarrow \quad \text{Ratio "Proxy" of PRODUCTIVITY}$$



❖ **OECD (1998)** : “ Entrepreneurs are **agents of change** and **growth** in a market economy and they can act to accelerate the generation, dissemination and application of **innovative ideas**.....Entrepreneurs not only seek out and identify potentially profitable economic opportunities but are also **willing to sake risks** to see if their hunches are right”

❖ **UNCTAD (2004)** : “the manifest ability and willingness of individuals, on their own, in teams within and outside existing organizations, to perceive and **create new economic opportunities** (new products, new production methods, new organizational schemes and new product – market combinations) and to **introduce their ideas in the market**, in the face of **uncertainty** and other obstacles, by making decisions on location, form and the use of resources and institutions” (Thurik, Roy - Professor of Economics and Entrepreneurship / Erasmus University Rotterdam)

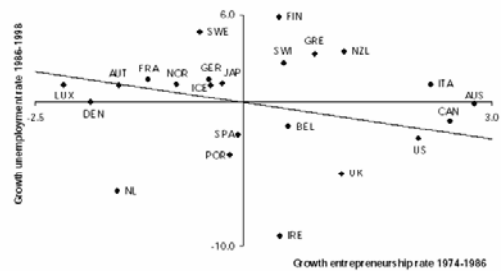
OECD: Organisation for Economic Cooperation and Development
UNCTAD : United Nations Conference on Trade and Development

- ❖ **Roles of the Entrepreneur (Henry Bruton, 2000):**
 - a) Is a principal source of the **Idea of Progress** (a notion that goes well beyond the ideas of internal rates of returns, net present value and benefit – cost analysis)
 - b) Perceives the **specific profit opportunity** (author of the initial investment decision)
 - c) Is one – not the only – production worker engaged in **searching** and **learning** looking for **change**
- ❖ **Functional Roles of Entrepreneurs (UNCTAD, 2004) :**
 - a) **Risk seeking:** willing to take the risk associated with uncertainty
 - b) **Opportunity seeking:** perceiving and seizing new profit opportunities
 - c) **Innovativeness:** accelerating the generation, dissemination and application of innovative ideas

2. ENTREPRENEURSHIP AND EMPLOYMENT

- ❖ Approaches (ambiguity).
 - a) **“Refugee Effect”** : Unemployment stimulates entrepreneurial activity. Individuals confronted with unemployment and low prospects for wage employment turn to self – employment as a viable alternative (**Necessity - oriented**)
 - a) **“Schumpeter effect”** : Higher levels of entrepreneurship reduce unemployment (**Opportunity – oriented**)

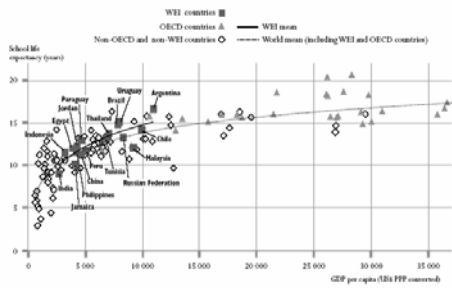
Figure 1: Changes in entrepreneurship and unemployment rates in OECD countries



Those countries exhibiting a greater increase in entrepreneurship rates between 1974 – 1986 also tended to exhibit greater decreases in unemployment rates between 1986 and 1998. This would suggest a negative relationship between entrepreneurial activity and subsequent unemployment

Some insights.....education

School life expectancy and national wealth, 2003
 School life expectancy, primary to tertiary and GDP per capita, US\$ PPP converted



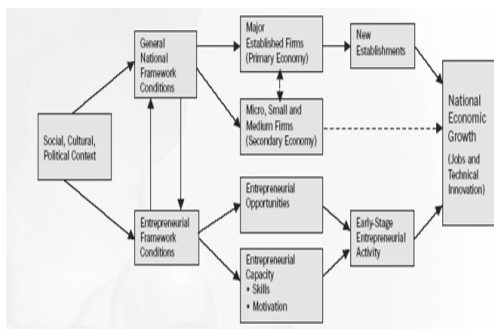
Note: This figure excludes pre-primary education to allow for comparison with countries outside the WEI and OECD groups.
 Source: OECD/UNESCO WEI, Table 1.4 in Annex A4; UNESCO Institute for Statistics, 2005; World Bank, 2005a.

3. ENTREPRENEURIAL ACTIVITY AND THE LINK WITH ECONOMIC DEVELOPMENT

“Although characteristics of entrepreneurial activity differ across countries, the importance of **entrepreneurship** for **economic development** is widely acknowledged. While scientific evidence for this relationship has been accumulating, national, international, and regional institutions have become more and more explicit in their effort to create an **entrepreneurial society**” (GEM – 2007 Executive Report)



The GEM Conceptual Model



PARTICIPATING COUNTRIES IN 2007

In 2007, 42 countries participated in the GEM project. As in previous GEM reports, a distinction is made between the high-income countries and the middle- and low-income countries. The second group is further refined by separating Europe and Asia from Latin America and the Caribbean since GEM data has shown that there are pervasive differences in entrepreneurial behavior in these global regions.

High-Income Countries

Austria, Belgium, Denmark, Finland, France, Greece, Hong Kong, Iceland, Ireland, Israel, Italy, Japan, Netherlands, Norway, Portugal, Puerto Rico, Slovenia, Spain, Sweden, Switzerland, United Arab Emirates, United Kingdom, and United States

Middle- and Low-Income Countries: Europe and Asia

China, Croatia, Hungary, India, Kazakhstan, Latvia, Romania, Russia, Serbia, Thailand, and Turkey

Middle-and Low-Income Countries: Latin America and Caribbean

Argentina, Brazil, Chile, Colombia, Dominican Republic, Peru, Uruguay, and Venezuela

Technical Note 1:

1. The Total Entrepreneurial Activity Index (TEA):

Combines two measures :

- a) The proportion of the adult population currently engaged in creating a new business,
- b) The prevalence of new firms that have survived the start – up phase.

2. GEM 2002 study (<http://www.gemconsortium.org>) :

A survey of 37 countries representing about 62% of the world's population, the GEM estimates:

- a) 460 million adults around the globe are engaged in entrepreneurial activity,
- b) Two thirds of the entrepreneurs are **opportunity – oriented**, while the rest are **necessity – oriented** (trying to start businesses because they have no job options).

Technical Note 2: TOTAL FACTOR PRODUCTIVITY - TFP)

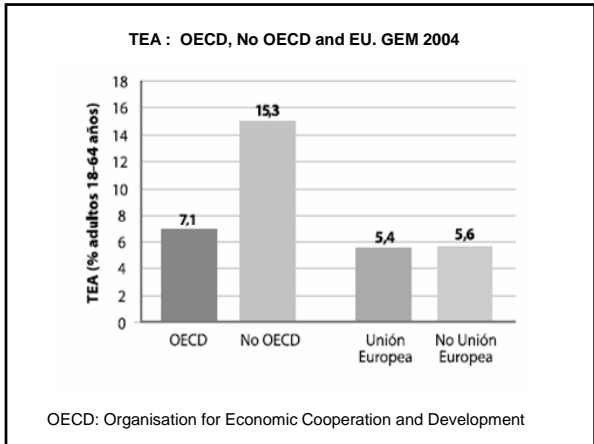
- ❖ How much of the growth in **output per worker** is associated with growth in physical and human capital per worker and **how much is due to technology, institutional change and other factors?**
- ❖ **"TFP is due to entrepreneurial capacity"** (Fulvia Farinelli - UNCTAD Programme Officer – EMPRETEC Chile)

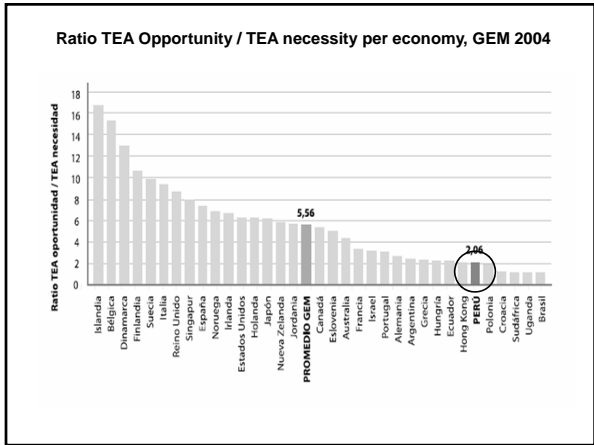
The Solow residual (r_A) is a measure of TFP.

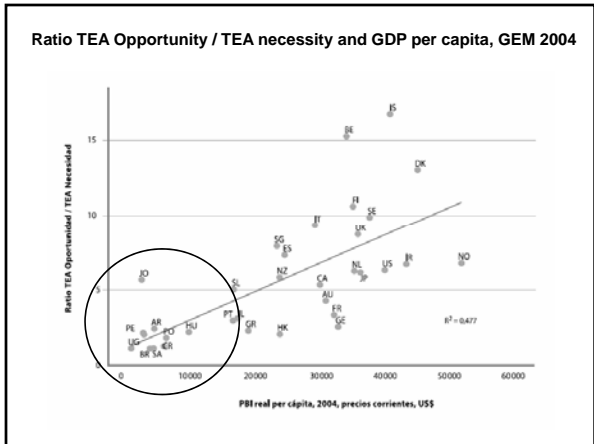
$$r_Q = r_A + \alpha r_K + \beta r_L \quad \longrightarrow \quad r_A = r_Q - (\alpha r_K + \beta r_L)$$

- r_Q : Growth rate of GDP
- r_A : Total factor productivity growth (output growth not accounted for by the growth in inputs)
- r_K : Rate of growth of capital
- r_L : Rate of growth of labor

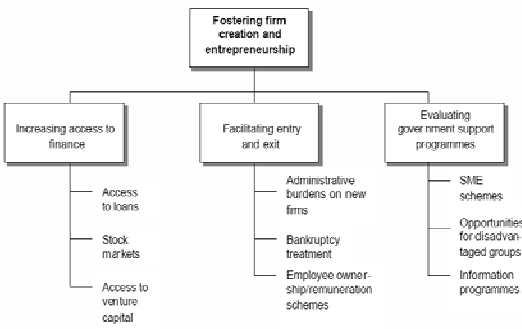
α and β are elasticities of capital and labor respectively







4. POLICY & INSTRUMENTS FOSTERING ENTREPRENEURSHIP



Source: Adapted from OECD (2002): 8.

❖ Encouraging entrepreneurship and facilitating the rapid growth of innovative SMEs is an effective means of creating jobs, increasing productivity and alleviating poverty.

❖ SME sector comprises over 95% of all enterprises and accounts for two thirds of private sector employment (OECD)

❖ Some targets:

- the need to reduce regulatory and administrative burdens ("**red tape**");
- the increasing attention given to entrepreneurship education and training;
- the need to ease SME access to financing, technology, innovation and international markets;
- the growing importance of women's entrepreneurship;
- local policy issues (**LED**)

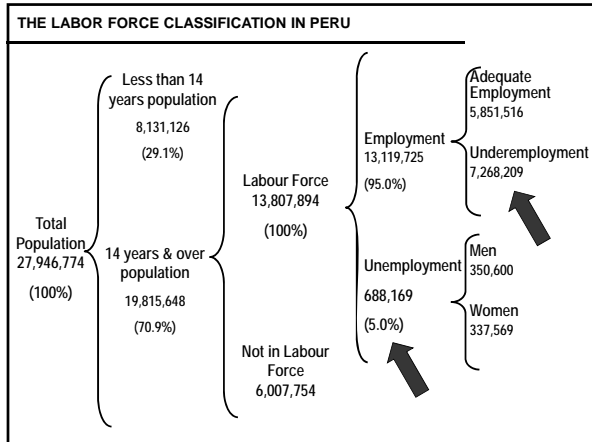
(OECD SME and Entrepreneurship Outlook - 2005 Edition)

5. PERUVIAN PUBLIC POLICIES ENHANCING ENTREPRENEURSHIP

❖ The Ministry of Labor and Employment Promotion of Peru is in charge of the design and coordination of public policies fostering Micro and Small Enterprises and Entrepreneurial Culture, through the National Bureau of Micro and Small Enterprise (NBMSE).

❖ In order to enhance Entrepreneurial Culture the NBMSE has set three strategic actions:

- a) **Motivation:** generating a "common thought" among key public and private institutions regarding the necessity for building a culture for an entrepreneurial society.
- b) **Capacity Building & Training:** through an entrepreneurial education (primary, secondary and tertiary levels) and specific instruments (public program) allocating subsidies in the start – up stage for "targeted" businesses ("Voucher model").
- c) **Competitive Business Environment:** basically addressing the "red tape" problem (licenses and transaction costs for start – up a business), promoting a favorable labor scheme for ME, simple rules for tax paying and social security access, among others.



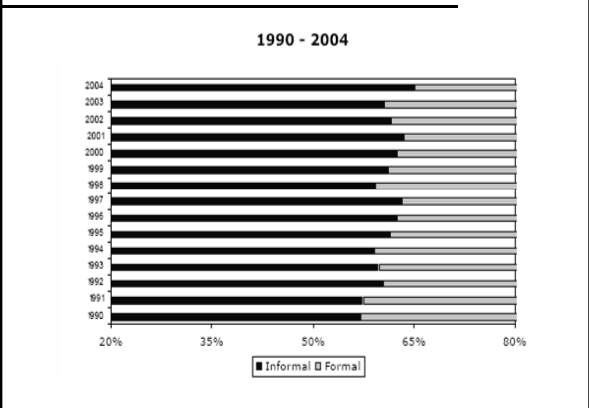
Labor Market Structure

Total Employment	13,119,725	100.0%
1. Public Sector	900,814	6.9%
2. Private Sector (employees included)	4,404,343	33.6%
• Micro Enterprise	2,454,004	18.7%
• Small Enterprise	949,532	7.2%
• Medium & Large E.	1,000,808	7.6%
3. Own account	4,863,478	37.0%
• Professional	166,154	1.3%
• No professional	4,697,324	35.7%
4. Unpaid and others	2,951,090	22.5%
	8,267,014	(63.0%)

Micro and Small Enterprises and Informality

	FORMAL enterprises	INFORMAL enterprises	Total number (Micro and Small Enterprises)
Micro	622,209	1'855,075	2'477,284
Small	25,938	15,395	41,333
TOTAL	648,147	1'870,470	2'518,617
Percentage	25%	75%	100%

Lima City : Evolution of Informality in the Labor Market



"Invention and entrepreneurship are the heart of national advantage" (Michael Porter. The Competitive Advantage of Nations -1990)

THANK YOU

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PHILIPPINES**



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President of the University



Autonomous Campuses
Diliman, Manila, Los Baños, Iloilo, etc.



R.A. 6041
23 June 1969



UNIVERSITY OF THE PHILIPPINES INSTITUTE FOR SMALL-SCALE INDUSTRIES



To improve the quality of life of the Filipino people by being the institution in training, research and consultancy for small and medium enterprises.



MISSION

To empower small and medium enterprises sustain their viability in a global environment so that they may more fully contribute to the national goals of growth, employment, and equity through the provision of relevant, affordable, appropriate and innovative

-  · training programs
-  · research studies
-  · consultancy and information services

As it does these, UP ISSI will continue to nurture its internal capabilities, tap external resource and use state of the art facilities and technologies.



GOALS

General: To provide training, research and consultancy services to entrepreneurs and development catalysts in the small and medium industry sector.

Specifically

- 1) UP ISSI in the next three years will prepare a plan to raise to a higher level, information and programs for the development of the following industry clusters:
 - o food
 - o gifts, toys, and housewares
 - o furniture and furnishings
 - o wearables
 - o packaging



- 2) To institutionalize productivity and quality enhancement programs;
- 3) To develop and implement innovative schemes to improve SME access to markets and financing;
- 4) To promote/encourage the use of information technology
- 5) To encourage local government units to adopt policies and programs conducive to the development of industries/enterprises**
- 6) To implement programs that will include moral, social and work values for both employers and employees.



Committed to the...



CREATION



PROMOTION



IMPROVEMENT



GROWTH

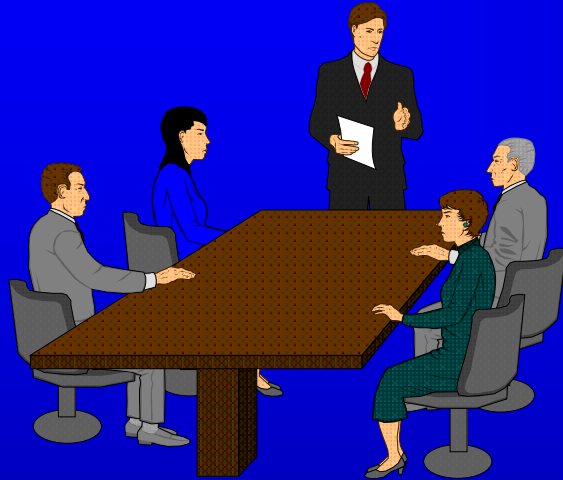
of

Small and Medium Enterprises (SMEs)



UNIVERSITY OF THE PHILIPPINES INSTITUTE FOR SMALL-SCALE INDUSTRIES

A pioneer in...



↖ Training of consultants and counsellors for SMEs

↖ Low cost automation systems, programmable logic controllers

↖ **Socio-economic planning through integrated area development focused on the establishment of enterprises at the regional, provincial & community levels**



A pioneer /innovator in...



Formal education (high school and college)



Overseas Filipino workers



Hospitality sector



Intrapreneurship



Training of facilitators, trainers, teachers



Community-based technologies



As a second career after early/compulsory retirement



A pioneer in...



**New Enterprise
Planning**

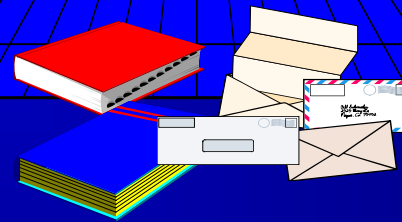


**Personal
Entrepreneurial
Competencies**



**Small Business
Counselling**

**Distance
Learning**



A pioneer & innovator in...

- ↖ Establishment of academe-based extension programs for and in support of SMEs
- ↖ Livelihood & micro enterprise development for dwellers in marginal resettlement areas
- ↖ Establishment of credit union in blighted areas
- ↖ Conduct of socio-economic survey and establishment of integrated area development plan for the regions

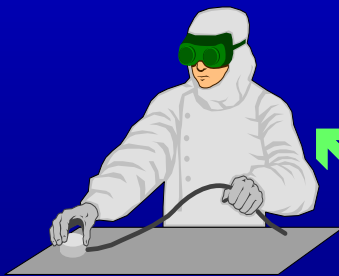




↖ Established the first supervised credit program

↖ Set up the first guarantee program (IGLF) with the then Central Bank of the Philippines

↖ Implemented integrated area development programs in selected provinces in collaboration with the provincial executive unit



↖ Application of low-cost automation, robotics, instrumentation, ergonomics and good working conditions



BENEFICIARIES

Industry Sectors:

- Jewelry -making in Bulacan
- Shoemakers in Marikina
- Weaving in the Ilocos
- Ceramics in Bacolod
- Handicraft making in Bicol
- Food processing in Bulacan



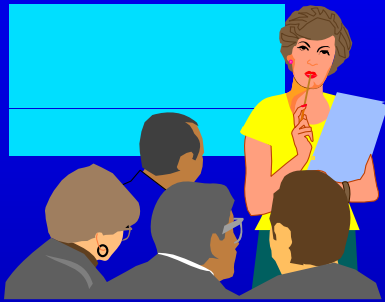
Local Government:

- ⌘ Front liners in municipal/city hall
- ⌘ Bgy. captains, mayors, governors
- ⌘ Planning/dev't. officers & catalysts
- ⌘ Rural workers



DELIVERY MECHANISMS

**TRAINING/
workshops**



CONSULTANCY



RESEARCH



INFORMATION



SELECTED COMPLETED PROJECTS

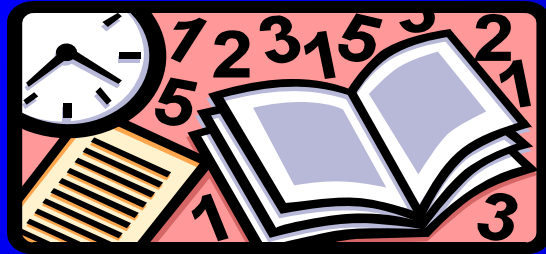


- Established Technology Business Incubators
- APEC Center for Technology Exchange and Training for Small and Medium Enterprises (ACTETSME)

➤ Manuals:

How to Approach Banks (for loan applicants) How to Evaluate Credit Risks (for banks) Improve Your Business





Books /Publication:

- ❖ Credit Manual
- ❖ Inventors as Entrepreneurs
- ❖ Filipino Women in Business
- ❖ Dreamers, Doers, Risk takers
- ❖ Bridging the Gap



Training /Workshops :

- ❖ **Regional industrial development course for local government executives**
- ❖ **Technology transfer**
- ❖ **Entrepreneurship programs for local government executives**
- ❖ **SME Development plan**
- ❖ **Strategic Planning**



SOME RELEVANT PROJECTS/SERVICES for Local Government Units and NGOs *For the past 5 years*

- ↓ Entrepreneurship Development Program for Local Government Executives
- ↓ Consultancy Program for Cooperatives
- ↓ Community-based Enterprise Development for People's Organization (Phil Federation of Environmental Concern)
- ↓ Designing & Implementing a Microfinance Program (CARE Bangladesh)
- ↓ Seminar/Workshop on Project Evaluation (Land Bank of the Philippines)
- ↓ Rural Enterprise Development Workshop (Dept of Agrarian Reform)



- ↓ **Small Business Advisory Services (Dept of Trade & Industry)**
- ↓ **NGO Development Program in all regions (DTI- ADB funded)**
- ↓ **Training Programs for Entrepreneurs- nationwide (Development Bank of the Philippines - OECF)**
- ↓ **Small Business Consultancy Course (GTZ – Vietnam)**
- ↓ **Productivity Programs for SMEs in the Countryside: Indigenous Communities Enterprise Project (APEC Secretariat, Singapore)**
- ↓ **An Evaluation of Zambales Area Management Banking & Livelihood Institute - Community Enterprise Development (Interchurch Organization for Development- The Netherlands)**
- ↓ **Advisory Services to NGO Micro Credit Conduits (DTI- ADB)**
- ↓ **Sustainable Agriculture and Enterprise Development Course (Agrarian Reform Community Development Program – DAR)**
- ↓ **Project Appraisal, Evaluation and Monitoring (DTI, LBP, BSP, DBP)**



PRESENT ACTIVITIES

CONTINUE with

Networking

Research studies
-development
- policy
- evaluation
- publications

Improve your
Business series

Entrepreneurship
programs




Distance learning
packages

Technological
course in robotics,
low-cost automation



PRESENT ACTIVITIES

APEC - related activities on SMEs

-  Network of SMEs
-  Let us do business
-  Professionalizing small business counselling
-  Training of business counsellors by distance education
-  Certification of counsellors

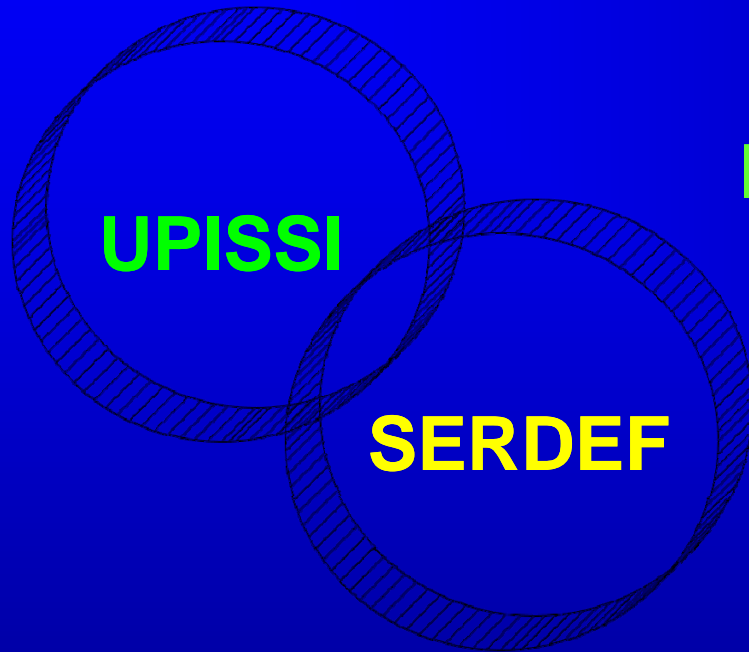
Training, research, extension services for Aid/donor agencies

Selective International Programs

Training of Facilitators, Trainors and Teachers



PARTNER



**Small Enterprises
Research & Development
Foundation, Inc.**

(SERDEF)

www.upissi.net/serdef.html

MAJOR PARTNER



UNIVERSITY OF THE PHILIPPINES INSTITUTE FOR SMALL-SCALE INDUSTRIES

UPISSI

Has partnered with LGUs since its founding in 1966

Supported local government units through training, research and consultancy

Cooperated with key stakeholders such as LGU executives and planning officers of provinces, cities, municipalities

Will continue to partner with LGUs by

- * *Participating in public hearings for legislative purposes*
- * *Facilitating workshops in preparing their strategic plans*
- * *Organizing roundtable discussion for the purpose of*
- * *Determining priority sectors for establishing support services*
- * *Organizing enterprise development programs*
- * *Collaborating with LGU executives who support trade associations*



Supporting Facilities for Thai SMEs



Pim Niyomwan

**International Cooperation and Policy Support Department
Office of SMEs Promotion, Thailand**

APEC Training Course on Enhancing Entrepreneurship for SMEs

17-19 June 2008, Hanoi, Vietnam



Background



Office of SMEs Promotion (OSMEP) was established under the Small and Medium Enterprises Promotion Act 2000 as a juristic entity and a governmental office, not an official agency or state enterprise.



Vision

“To be the country’s central organization in formulating SMEs promotional policies and strategies as well as coordinating governmental and private working systems in achieving the strong and sustainable growth of SMEs as the main driving force of the country’s economy”



Key Duties

- 1. Formulating SMEs Master and Action Plans and SME-related laws and regulations**
- 2. Taking charge of SME promotional activities that have yet to be implemented by other offices**
- 3. Establishing international networks**
- 4. Providing support facilities for SMEs such as venture capital, mentoring, incubation, one-stop service, SMEs portal**
- 5. Serving as SMEs' advocacy in both local and international arenas**
- 6. Managing and monitoring special SME promotional projects under the government's policies**



Venture Capital Funds

**A) VC Fund for Enhancing
Competitiveness of Thai Businesses**

B) SMEs VC Fund

C) Innovation Development VC Fund



OSMEP's Research Findings on Venture Capital Trends

- 5 most prevalent target industries for venture capital include the following industries:
 - Food and Beverages
 - Machinery
 - Household goods
 - Wood products
 - Garment
- Future trends (industries with potential growth):
 - Food and Beverages
 - Energy
 - R&D
 - Hotel & Restaurant



Capacity Building Fund

Objectives

1. To support SMEs in developing business in such areas as management, IP, and marketing
2. To enhance SMEs capabilities and standards to increase opportunities in the international market.
3. To add value to SMEs businesses, products and services.

Conditions

1. It is a financial support in the form of a grant
2. Max. subsidy is 50% of total expenses and not exceed 500,000 baht per enterprise



Consultancy Fund

(up to 250,000 baht)

Objective

- It is a financial support for SMEs consultancy on business system development, product/service development. Moreover, it supports SMEs that face entrepreneurial problems in management, accounting, financing

Prospective Targets

- SMEs facing entrepreneurial problems in management, accounting, financing, investment, human resources, product design, or logistics.
- SMEs wishing to branch out or diversity their business through market expansion or product and service development.



Internationalization Fund

(up to 250,000 baht)

Objective

- It is a financial support for SMEs in the internationalization process which involves participation in both domestic and foreign trade fairs, business matching, market research and survey

Prospective Targets

- SMEs in need of foreign market surveys
- SMEs aiming to expand their products and services into the international markets
- SMEs wishing to participate in international business matching events organized by OSMEP and any other agencies



Intellectual Property Fund

(up to 500,000 baht)

Objective

- It is a financial support for SMEs in intellectual property registration both domestically and internationally as well as in acquiring licenses from local IP owners

Prospective Targets

- SMEs wishing to register IP both domestically and internationally
- SMEs wishing to obtain licenses from domestic IP owners
- SMEs wishing to acquire IP assets from domestic IP owners



OSMEP Incubation Funding Structure

- 60% by OSMEP (e.g. mentor/advisor fees)
- 30% by Incubator (In-kind, In-cash)
- 10% by Incubatee



OSMEP Consultancy Services

- Finance (*daily*)
- Product Design and Development (*Mon.*)
- Franchising (*Tues.*)
- Marketing (*Wed.*)
- Legislation (*Thurs.*)
- Management (*Fri.*)
- Export (*Fri.*)



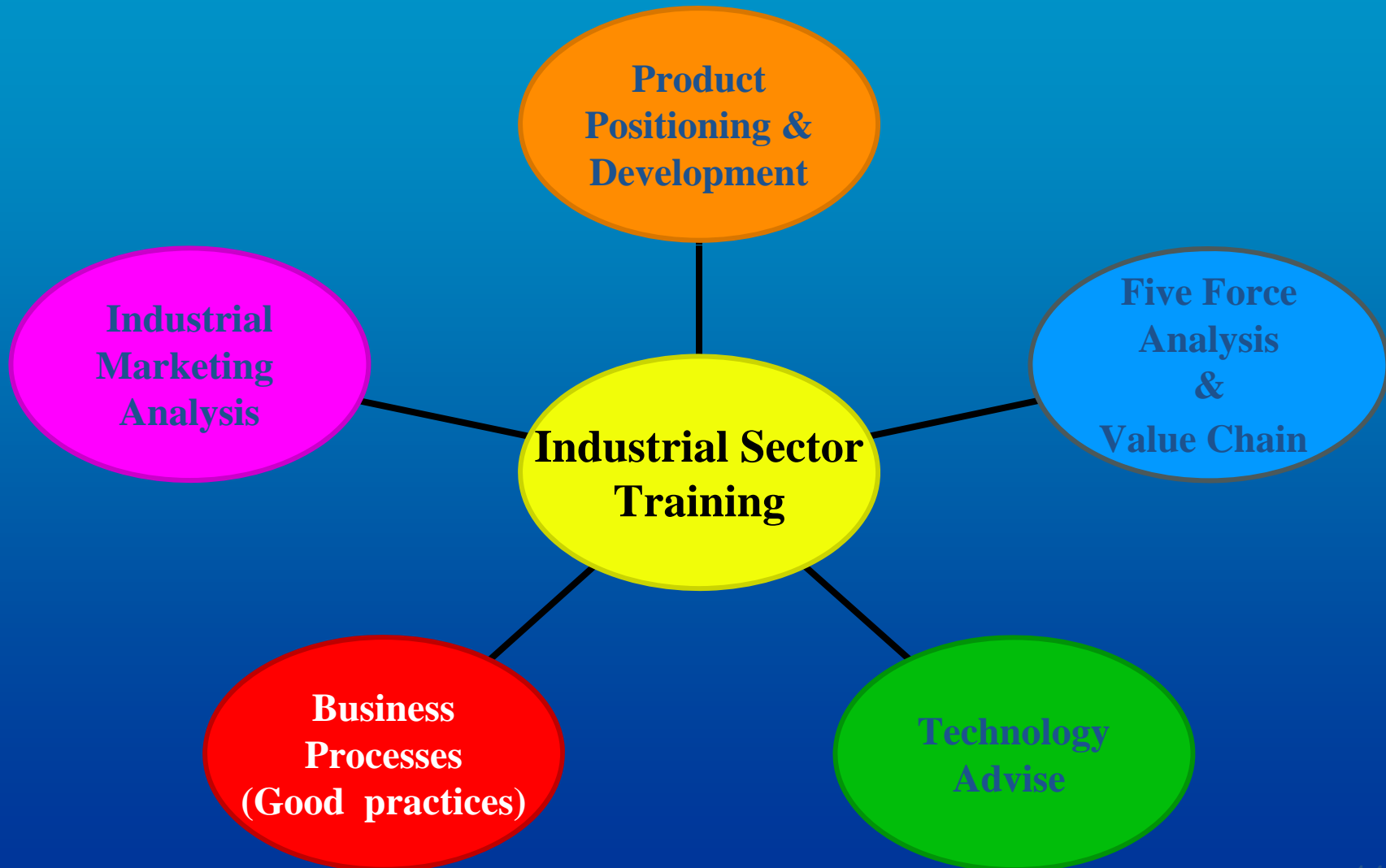


Business Training and Coaching





Training and Coaching for the Industrial Sector





iSMEs Development Project





Objectives of the Project

1. Provide advisory services on marketing strategies, designs, and production process.
2. Provide product and packaging standard inspection in order to upgrade the product and service standards and comply with international standards.
3. Provide product and packaging development services in conjunction with product concept layouts.
4. Function as an information center for sharing the local knowledge in order to help improve the competitiveness of product development.



Objectives of the Project (con't.)

5. Function as a center, providing business solutions and guidance on developing new products.
6. Help entrepreneurs to get support from other projects implemented by public and/or private sectors and access to financial resources and domestic/international marketing channels.

SMEs University: Procedures

Identify business potential in the area/region
Identify the potential of academic institution

Select academic institution to become network member

Work with academic institutions in 5 regions and set up a SME network which conforms with regional and national development strategies

Undergraduate

Vocational/Community College

Long-term course in regular educational system

Short-term course intermittent educational systems

Short- and medium-term course

Objective: SMEs Entrepreneur

Objective: Microenterprises

Evaluation and Monitoring

Network Creation and Course Design

Networking Institutions

Selected entrepreneurs chosen by networking institutions

OSMEP

Graduate /Vocational Level

- Institutional facility
 - Personnel
 - Building/Location
 - Tools
 - Budget
- Bridging of network
- Selection of potential business
- Selection of potential trainees

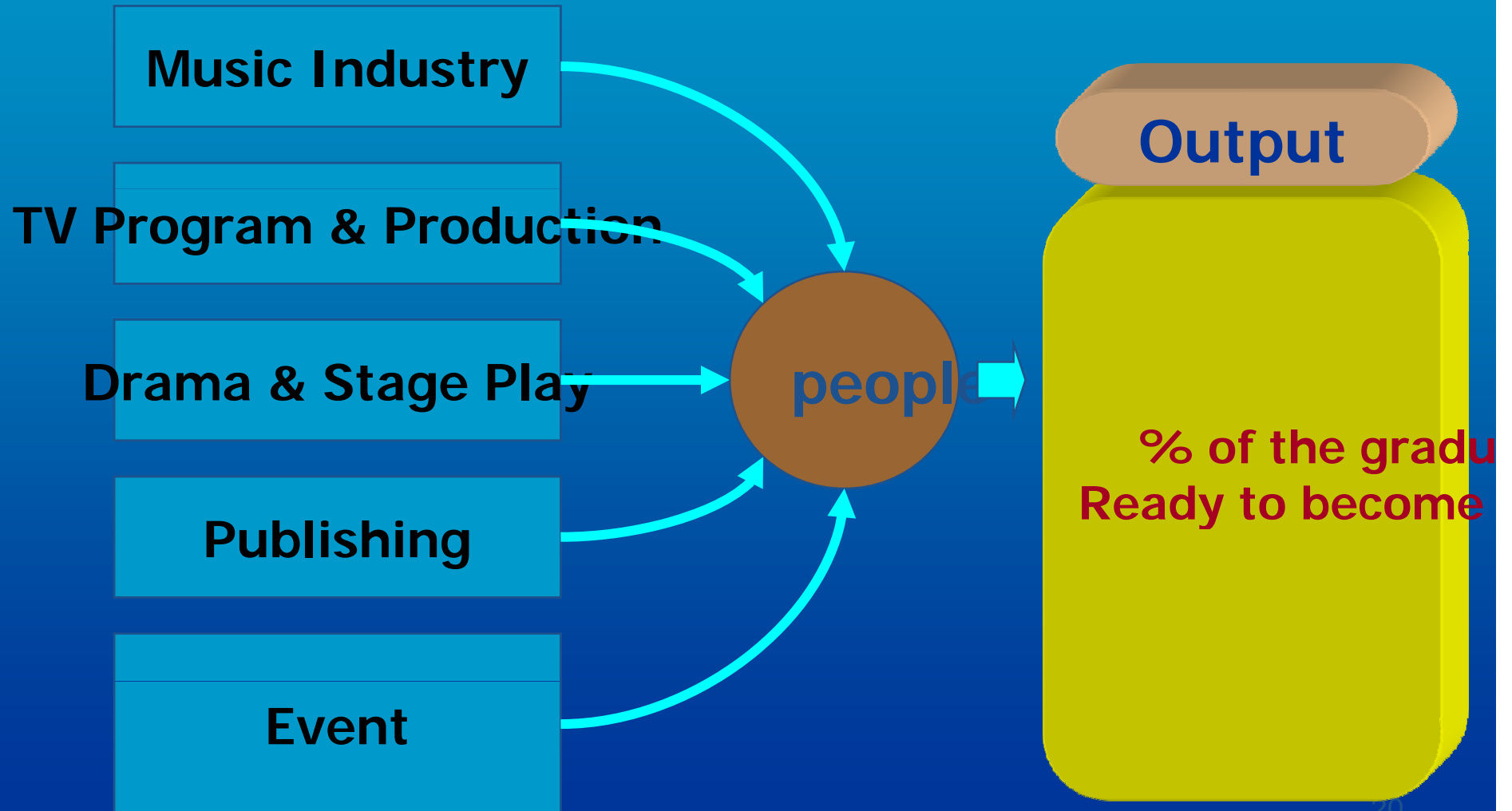
Special curriculum
 knowledge + related theory
 Technical knowledge/practical
 Seminar/Site visit (70%)
 Technical Skills + Management S

- Operational gu
- Support from O
 - Training bud
 - usage of ava
 - facility
 - Personnel/Ex
- Supervision and Evaluation

Output

- SMEs entrepreneurs start
- Microenterprises

Bangkok University:
MA in Entertainment Business and Production Management





Business Matching Program

Objectives

- To promote the development and expansion of businesses and investment
- To spur the development of SME technology and innovation
- To promote the development of supply chains and industrial clusters
- To support continuous growth and sustainability of Thai SMEs
- To improve marketing and investment access
- To provide knowledge, consultancy and other services for SMEs
- To take advantages of SME support policies

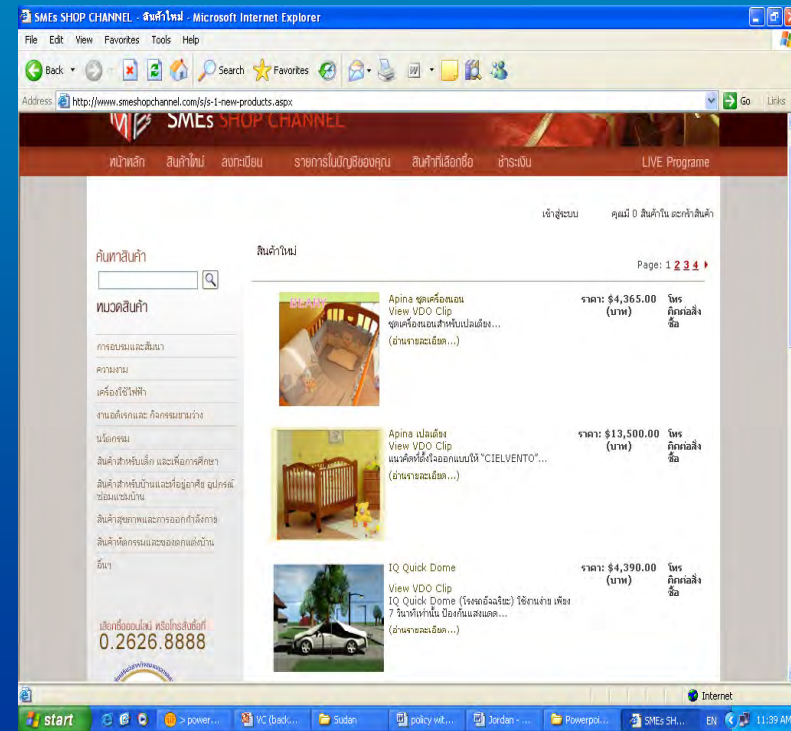
Prospect Targets

- Industries under OSMEP's SMEs Promotional Plan which include handicrafts, paper packaging, food, gems and jewelry, garment and textile, leather goods, furniture, ceramics, electronics and electrical appliances, automotive and parts, rubber products, plastic
- Targets include China, Malaysia, Vietnam, Italy, Australia, USA, India, Romania, Russia, Dubai



OSMEP's SME-related Media

- SMEs Today magazine
- SMEs Shop Channel (Local Cable TV)



SMALL AND MEDIUM ENTERPRISES SUPPORTS IN VIETNAM

Presented by Dao Tuan Anh, Viettech

CONTENTS:

- Importance of SMEs in Vietnam
- Problems the SMEs face
- What the government and associations have done to fix the problems
- Assistance of foreign government and international organizations
- Policy Recommendations

Vietnam's definition of SMEs

Government's Decree No. 90/2001/CP-ND:

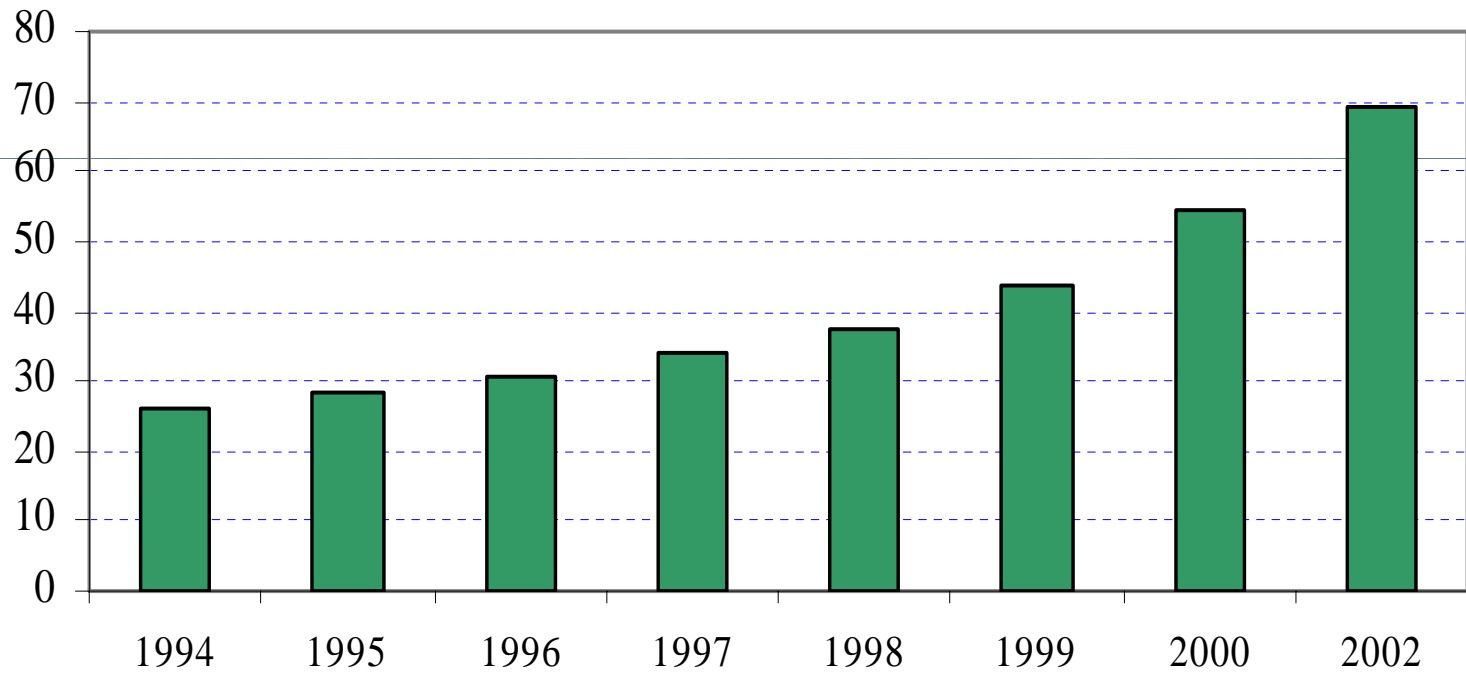
Enterprises with registered capital of less than VND10 billion,

OR

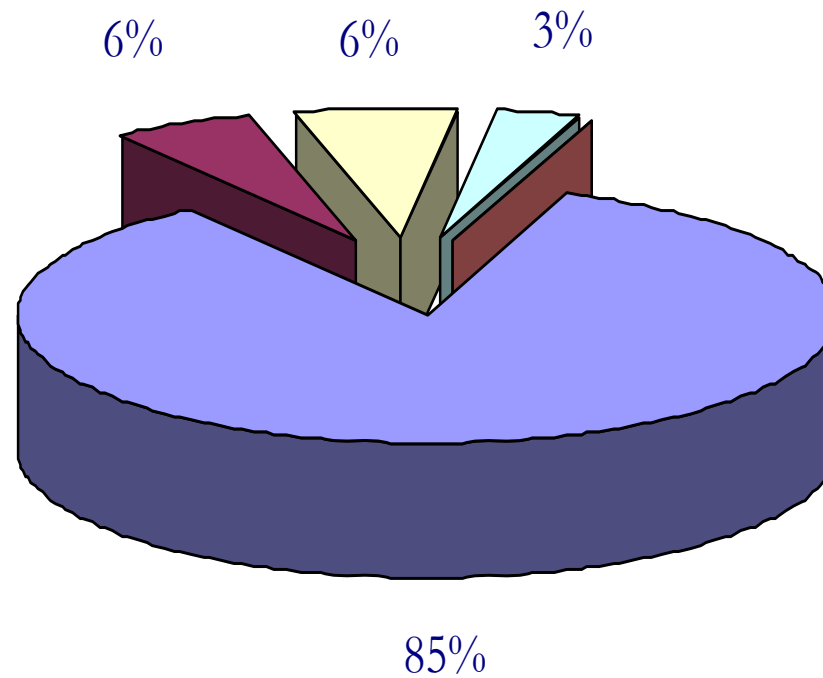
Number of employees less than 300

Number of SMEs

Thousand



Enterprises by sector, 2000



■ Private SMEs

■ State-Owned SMEs

■ Large Private Enterprises

■ Large State-Owned Enterprises

Enterprise structure by capital stock (%)

Capital in VN bil.	< 5bil	5-10	10-50	50-200	>200
100% State-owned	27	16	36	17	4
100% foreign	15	14	42	19	10
Joint-ventures	9	11	34	27	20
Hhs, Partnership, Sole Proprietorship	98	2	1	0	0
Joint-stock	47	18	23	8	3
Limited liability	80	10	9	1	0
Cooperative	90	6	4	0	0

Enterprise structure by size of workforce (%)

Number of employees	< 50	50-199	200-499	> 500
100% State-owned	20	40	23	16
100% foreign	32	33	21	14
Joint-ventures	33	43	16	7
Hhs, Partnership, Sole Proprietorship	97	3	0	0
Joint-stock	43	39	13	5
Limited liability	82	13	3	1
Cooperative	80	15	3	2

Problems of SMEs in Vietnam

- Access to Finance
- Constraints in Land
- Shortage of information
- Disadvantage in Technology, machines and equipments
- Deficiency in Human Capital
- Playing fields have not been level

Problems of Textile & Garment SMMEs

- Stiff Competition
- Low Productivity
- Inefficient Infrastructure
- Weak Supporting Industries
- Quantitative Restriction
- Dependence on Middlemen

Problems of Seafood Processors

- A shortage of Capital
- Less developed Processing Technology
- Problem of antibiotic residues
- Lack of food sanitary responsibility by material suppliers
- Unfair trade barriers

Problems of Electronics Assemblers

- Technological dependence on foreign supplier
- Taxation is not helping
- Ineffectiveness of Customs offices
- Bureaucratic Local Administrative Apparatus

Progress in Supporting SMEs

- Legal framework
- Financial Resource
- Supporting Organizations

Legal framework

- Revision of the Law on Promotion of domestic investment, 1998;
- Enterprise Law, 2000:
 - + Relaxed of constraints on private entry: “Register First, Check Later”
 - + Removed hundred and fifty of sub-Licenses in 2002, 2003
- Passage of Customs Law in 2001, revision of Labor Law, ...

Decree on Promotion of SMEs, 2001

- Council for promotion of SMEs
- Department for SMEs Development
- Establishes “Incubators of Enterprises”
- Three Centers for Technical Assistance to SMMEs in Hanoi, Ho-chi-Minh City and Da-Nang.

Financial Supports

- The Fund for SMEs Credit Guarantee
- Export Support Fund (ESF)
- Development Assistance Fund (DAF)

Fund for SMEs Credit Guarantee, 2001

Provision by provincial People Committees, Up to 80% of the gap (Loan - Collateral)

Conditions:

- a. Having feasible project,
- b. Collateral at $\geq 30\%$ loan
- c. No bad debt

Export Support Fund, 1999

- Covers interest cost on banks' loans related to losses when the world market prices for agricultural products drop
- Support for a number of export goods that suffer from high risk or low competitiveness.
- Awarding for works done in expansion export market, introducing products for export

Development Assistance Fund, 2000

- ✓ Provision of long and medium- term investment lending at preferential rate
- ✓ Provision of post-investment interest subsidy
- ✓ Provision credit guarantee
- ✓ On-lending funds of ODA sources
- ✓ Short-term export promotion credit to producers of agricultural, aquatic, ceramic, fine arts woodwork, textile, garment, foot ware products.

Supporting Organizations (Domestic)

- Vietnam Chamber of Commerce and Industry (VCCI) and its Small and Medium Enterprise Promotion Centers, (SMEPC)
- Vietrade (under the Ministry of Trade)
- Hanoi SME Association
- Ho-Chi-Minh City's People Committee Trade Promotion Program
- Rural SME Association,
- Vietnam Young Entrepreneurs Association
- Trade Associations in sectors, ...

SME Largest Foreign Supporting Organizations

- European Union SME Development Fund
- Japanese Bank for International Co-operation SMEs
- UNIDO
- Mekong Project Development Facility
- International Financial Corporation in Vietnam

Other Foreign Supporting Organizations

- Asian Development Bank
- Asia Foundation
- CIDA (Sweden)
- DANIDA (Denmark)
- DFID (British)
- GTZ SME Promotion Project (Germany)
- International Development Enterprises

- KFW (Germany)
- SIYB-ILO Project
- Mekong Capital, Ltd.
- JICA (Japan)
- SIDA (Sweden)
- SNV (Netherlands)
- Swisscontact
- USAID
- UNDP
- World Bank
- ZDH Partnership Program (Germany)

Which is Effective?

- The Enterprise Law, and the Law on Promotion of domestic investment have been very effective
- Mechanism of SMMEs Credit Guarantee Fund has not been realized in practice after a year
- Other Funds: performed some how, but success has been limited
- Supporting organizations: generally, there has been at most moderate success

RECOMMENDATIONS

- Less discretion of Customs, Taxation, and Administrative Management officers, let computers perform services by rule of Law
- Less SOEs, which are no friends of SMMEs
- Urban land market be ruled by actual demand and supply (depress speculation)
- Monopoly and other protections be removed
- Less tax, more entrepreneurship and FDI